FINANCIAL TIMES

Start the week



Media futures Rattling the phone companies' cage 71m Jackson, Page 11



FT Guide New drugs,

high stakes Clive Cookson, Page 10 **Lucy Kellaway**

Five steps to being a chief executive

Management, Page 12

Today's surveys Vietnam; Devon and Cornwall

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Executives urge end to obstacles in **EU trade with US**

Top industry executives from both sides of the Atlantic issued a plea for the elimination of remaining obstacles to trade and investment between the US and the European Union. About 100 business leaders meeting in Seville called for "all possible measures" to liberalise trade, including some agreements as soon as next year. Page 20; Background,

Serbs accept Slavonia plan: Hopes of a comprehensive negotiated settlement in former Yugoslavia rose after Serb leaders in eastern Slavonia accepted a plan to return the area to Croatian

France backs Emu penalties: France agreed with Germany on the need for penalties to enforce budgetary discipline among countries belonging to the planned European monetary union, French finance minister Jean Arthuis said. Page 20

Brussels to revive media ownership plans: Controversial plans to harmonise media ownership rules in the European Union are to be revived by the Commission. Page 20

\$4bn UK aircraft order in doubt: A potential \$4bn export order for UK fighter aircraft to the United Arab Emirates may be threatened because the UK Foreign Office has failed to agree a defence pact between Britain and the UAE. Page 8

Sime Darby buys control of UMBC: Malaysian conglomerate Sime Darby is to pay M\$1.3bn (\$520m) for a controlling interest in United Malayan Banking Corporation, the country's fourth largest bank in terms of assets. Page 23

Murdoch buys Carolco Pictures: Troubled US undependent film maker Carolco Pictures was bought by Twentieth Century Fox, Rupert Murdoch's film and television production subsidiary, for about \$50m. Page 21

Seoul businessmen face bribery charges: Up to 10 leading South Korean businessmen may be prosecuted for allegedly giving kickbacks on state contracts to former President Roh Tae-woo and aiding him in laundering funds. Page 6

Russian party leader warms on poll delay: Delay in holding parliamentary and presidential circtions in Russia would deal a devastating blow to hopes of building democracy, Grigory Yavlinsky, leader of the largest pro-democracy party, warned.

from John Bruton, his Irish counterpart, for a compromise over "decommissioning" of weapons held by paramilitary organisations in Northern Ireland. # Mack lifts market share: Mack Trucks, US

Major rejects irish cali on terrorist arms:

UK prime minister John Major dismissed a call

subsiduary of France's state-controlled Renault group, expects to raise its market share for the third year running, accelerating its return to profitability. Page 28 Moscow to clean up banking sector:

Russia's central bank is to crack down on criminal banks and strengthen its regulatory armoury as part of a drive to bolster the integrity of the country's financial sector. Page 3

israells raily for peace: An estimated 250,000 people rallied in Tel Aviv to back Arab-Israeli peace and show their respect for assassinated prime minister Yitzhak Rabin. Page 4

Caradon plans shake-up: UK building materials group Caradon is mounting a management shake-up and a cost-cutting programme to revive its weakened performance. The group is expected to make an exceptional restructuring provision of up to £25m (\$39.5m) and to shed several hundred jobs. Page 21

Former Belrut hostage dies: Former Beirut hostage Jack Mann died at his home in Cyprus. He was 81. He was held by Moslem militants for 2% years from May 1969.

Hill wine Adolaide grand price British driver Damon Hill won the Australian grand prix in Adelaide in a Williams-Renault. German Michael Schumacher, who has already won the world champlanship, retired after a collision.

European Monetary System: The spread between strongest and weakest currencies in the EMS grid widened by about 1 percentage point last week, but there was no change to the order of cur-rencies. A French cabinet reshuffle prompted a rally in the franc. This allowed the Bank of France to reopen the 5-10 day lending window, which had been closed for a month, at 6.35 per cent.

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irish Punt	!	200	4%	•	6%	٠

The chart shows the member currencies of the erchange rate mechanism measured against the weokest currency in the system. Most of the currencas are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the

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Crisis over US budget deepens

Republican leaders in the US Congress yesterday demanded that President Bill Clinton engage in immediate negotiations to prevent a partial shutdown of the federal government at mid-

night tonight. Senator Bob Dole, the majority leader, and Congressman Newt Gingrich, the House speaker, both said during television interviews that Mr Clinton should cancel his trip to Japan, due to start on Thursday, if he carries out his threat and vetoes Republican bills on temporary funding and the debt ceiling today.

"I don't see how he can go to Japan because, frankly, the gov-ernment will be closed," Mr Ging-rich said. Mr Dole added that the trip, mainly to attend the summit

Dole urges talks to avert government shutdown of the Asia Pacific Economic The two talked to Mr Clinton Co-operation forum in Osaka,

MONDAY NOVEMBER 13 1995

was "very important, but he has no choice if we don't have an agreement". The White House sisted the visit was still on, but might have to be curtailed.

The Dole and Gingrich comments brought a weekend of rising acrimony to a higher pitch and followed the failure of the sides to energy in direct pagentia.

sides to engage in direct negotia-tions. Mr Clinton proposed sending Mr Leon Panetta, his White House chief of staff, to talks on Capitol Hill on Saturday, but Mr Dole and Mr Gingrich objected because the president wanted other senior congressional Demo-

briefly on the telephone on Saturday afternoon but, Mr Gingrich complained, the president "hung up on us" and failed to return a call as promised. "Principals ought to talk to principals," Mr Dole said yesterday.

Mr Clinton objects to the two

bills because of a series of extraneous conditions attached to them, and to the demand that he commit himself, in principle, to the Republican goal of a balanced budget within seven years.

Mr Panetta, also interviewed yesterday, said: "This is not just a political game going on here, because there are very important issues affecting the whole direction of the country." He said Mr Gingrich had laid out plans for "a titanic legislative stand-off' last April and was now deliberately engineering it.

Mr Clinton used his regular Saturday radio broadcast to accuse the Republicans of trying to force us to accept extreme budget measures that would violate our basic values as a nation and undermine the long-term welfare of the American people".

The White House took specific exception to one Republican rider increasing patient premiums for Medicare, the federal health insurance programme for the elderly. Mr Dole said it was wrong to shut down the govern-

but Mrs Alice Rivlin, the budget director, said the amendment was unacceptable and symptom-atic of the Republican determination "to precipitate a crisis".

Without a last-minute compro-mise, Mr Clinton will today veto first the bill increasing and extending the \$4,900bn debt ceiling until December 12 because it contains clauses that would prevent the Treasury from taking special measures to avoid a default that could occur as early as Wednesday. Then he will veto the temporary government spending authority, lasting until December 1, that Congress is due to vote on tonight unless it is stripped of its many conditions.

Battle to see who blinks over US

UK refuses to rule out oil sanctions Aid for development to be frozen

Britain plans to tighten Nigerian arms ban

By Michael Holman in Auckland and Caroline Southey in Brussels

Nigeria's military regime was hit by further punitive measures yesterday following its execution on Friday of nine minority rights

After the suspension of Nigerian membership of the Common-wealth on Saturday, Mr John Major announced that Britain intended to tighten its existing arms embargo. The UK prime minister added to the pressure on General Sani Abacha, Nigeria's leader, by refusing to rule out oil and other sanctions, though stressing it would require a quite protracted timetable" and wide-ranging consultation.

The European Commission said was suspending development aid. The measure would include freezing the Ecu594m (\$778m) allocated to Nigeria in 1991-95, little of which has been disbursed. Mr Joao de Deus Pinheiro, commissioner responsible for Africa, said the Commission would propose that the EU's council of ministers tighten existing sanctions against Nigeria, imposed in June 1993 following a presidential election annulled by the military regime. It wants an EU-wide



Respect for the war dead: (from left) South African president Nelson Mandela, Australian prime minister Paul Keating, Pakistani president Farooq Leghari and New Zealand's prime minister Jim Bolger stand in remembrance at Arrowtown War Memorial, Anckland

early measure under which applications for new export licences for defence equipment had to be reviewed "case by case, with a

presumption of denial". Commonwealth leaders reinforced their commitment to democracy, introducing measures to deal with autocratic regimes, including expulsion from membership and trade sanctions. The

arms embargo in place of the initiative was described by Mr. Jim Bolger, New Zealand prime minister and chairman of the organisation's Auckland summit, as marking a "new era" for the

53-nation Commonwealth. The Nigerian regime outraged leaders at the biennial summit by hanging the author Mr Ken Saro-Wiwa and eight other activists despite international appeals for

cludes the establishment of an eight-member ministerial "action group" which will be convened "to deal with serious or persistent violations" of the principles of democracy and human rights

The Commonwealth plan in- set out in a Commonwealth communiqué in Harare in 1991. A central element of the plan

> Continued on Page 20 Commonwealth challenge, Page 18; Lex, Page 20

Nuclear anger fuels fears that Beaujolais will bomb

By Our Foreign and Consumer Industries Staff

This week's party for Beaujolais Nouveau may be a very flat

Economic uncertainty and opposition to French nuclear testing are threatening to dampen the hype that usually accompanies the launch of the vintage, and sales could suffer.

In Japan, a prime market, cus-tom officials at Tokyo's Narita airport expect about 320 kilo litres of nouveau to be imported this year. This is 40 per cent down on 1994 and less than a sixth of the Beaujolais Nouveau that flowed into Japan during the late 1980s.

The fad for nouveau blossomed in Japan just as it was opening its markets to foreign products. Japanese fondness for the first produce of the season also helped sales. Beaujolais Nouveau parties were held around Tokyo, with fashionable restaurants

serving it at Y2,000 (\$20) a glass. Meidi-ya, a food and wine distributor, had hoped that last year would see the bottom of the droop in demand. But it has been foiled by France's nuclear testing in the South Pacific, "Most retailers are nervous about the tests," said an official. Mitsukoshi, a department store chain, said it would not promote Beaujolais this year and was treating

it like any other wine on sale. In France, the Beautolais harvest seems to have gone normally, and the vintage which goes on sale on Thursday is described as a good one.

Mr Michel Deflache, assistant director of the Union Interprofessionnelle des Vins du Beautolais. the local wine producers' association, said reduced demand in Japan would be countered in growth markets elsewhere.

The strongest pressure to boycott French wine has arisen in the Netherlands, Mr Deflache said, where there had been a "hysterical" press campaign and threats to wine merchants.

The Liquor Control Board of Ontario, the western world's biggest alcohol retailer, has slashed its Beaujolais Nouveau order by

Continued on Page 20

China may allow currency convertibility next year

By Tony Walker and Peter Montagnon in Beijing

China plans to allow convertibility of its currency on the current account well ahead of a previous 2000 deadline, and pos-sibly as soon as next year. This would represent a substantial step towards integrating China's economy into the international

Mr Zhu Rongji, the powerful executive vice-premier in charge of the economy, declined to provide a specific date but, in an interview, said the country would "be able to fulfil the timetable well ahead of schedule".

Western officials in Beijing said they had been told China planned an important announce-ment about trade liberalisation at the forthcoming meeting of the Asia and Pacific Economic Co-operation forum (Apec) to be held in Osaka this week.

Ms Wu Yi, China's trade minis-

ter, is due to outline a package of reforms at the Apec ministerial talks. This may include a commitment on convertibility of the renminbi in 1996. China's decision to bring forin its foreign exchange reserves, which reached \$72.9bn at the end of October - a fourfold increase in two years.

In Beijing, an International Monetary Fund official said a decision to allow convertibility on the current account would represent a "strong statement" of commitment to further reform. It would also push the renminbi towards becoming a "hard" cur-rency, tradable internationally.

Convertibility on the current account would streamline access for enterprises operating in China to funds for imports and other purposes such as business travel. It would also facilitate the repatriation of profits for foreign

Mr Zhu's remarks represented the most comprehensive and authoritative outline of plans for the Chinese economy given to a Western publication in the past few years. China would: • "continue properly to tighten credit" with the alm of reducing inflation to 5 per cent during the

per cent;
• try to "wipe out" its budget deficit by 2000; ward currency convertibility has deficit by 2000; been helped by a strong build-up "spend more time and energy" prise reform: the banks by 2000 to bring them in line with international prac-

tax policies for foreign-funded enterprises, while respecting existing commitments; • press ahead more vigorously with tariff reform in line with the aim of becoming a member of the World Trade Organisation.

begin to phase out preferential

Mr Zhu claimed "great success" for an austerity programme introduced in July 1993, and said efforts to bring down inflation while maintaining a relatively high level of growth would not slacken. "The soft landing is not complete yet," he said.

He said preferential policies for foreign investors in China's five special economic zones and the Pudong area of Shanghai "should be basically unchanged". But he also gave notice of a sweeping overhaul of tax exemptions as

Blueprint for reform, Page 19 China's socialist market econ-

part of moves toward national ninth five-year plan (1996-2000). Growth would be targeted at 8 treatment for both Chinese and foreign-funded enterprises.

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Banks appeal Rough waters spoil Kohl's plain sailing for clear line on Emu

By Andrew Fisher in Frankfurt

European banks have called on EU heads of government to make clear decisions about progress towards monetary union at the Madrid summit next month in order to avoid delays in the timetable. The appeal by the European

Banking Association, repre-senting the commercial banks of 18 countries, was made ahead of the presentation tomorrow of a report by the European Monetary Institute. forerunner of the planned European central bank, on how the transition to Emu should be made. This will be discussed in Madrid.

The association said Emu should be introduced in two stages: the first for monetary policy and foreign exchange. securities and money markets, and the second for the public and for retail banking after new notes and coins had been issued. The time between the two phases should be as short as possible and demonstrate "a decisive and lasting commitment" to currency union by

It recommended that the time between the two phases be about two years. This is shorter than the generally envisaged period of three years from when Emu is due to start (in 1999 under the Maastricht treaty). There should be no obligation on anyone to use the new currency before new Euro-currency notes and three years until 2002.

coins had been introduced

The European association said its views mostly followed those of the German Banking Association, which stated in September that public confidence in Emu could be won only if the new currency were introduced to the public sooner than generally envisaged and a name quickly agreed.

Mr Karl-Heinz Wessel, head

of the German and European banking associations, said banks were ready to do their utmost to see the Euro-cur-rency adopted. The European association had prepared a paper on its introduction.

The EMI's report is likely to

represent a compromise between the desire of larger banks to start using the new currency - most probably to be called the Euro - as soon as possible and the anxiety of smaller ones about the costs and disruption a sudden switch would cause. The EMI has consulted banks widely.

Mr Wim Duisenberg, the Dutch central bank president, said last week that central banks of countries joining Emu would probably offer conversion facilities. These would enable banks not wanting to use the new currency immediately to conduct money market transactions in Euro-currency and normal dealings in the national currency. This would last until full introduction of new notes and coins, which he thought would take at least

Chancellor Helmut Kohl's centre-right coalition since its narrow victory in the German general election of October 1994 appears to be drawing to a True, opinion polls still give

Mr Kohl's Christian Democratic Union and its Bavarian sister party, the Christian Social Union, the support of 48 per cent of the electorate, implying they could form a government on their own if elections were held tomorrow. But the next election is not due until 1998 and in the past fortnight the government has stif-fered a series of setbacks that point to a tougher political climate ahead:

 The opposition Social Democratic party has turned the planned Ruropean economic and monetary union into a political issue and put the government on the defensive by playing on voters' fears that the strong D-Mark will be

It has taken just over a year. But the long political fortune since honeymoon enjoyed by the election, writes Peter Norman. That could be coming to an end

inflation-prone Euro-currency. Mr Theo Waigel, the finance minister, has been defeated in his plans to lower business taxation, and will have to postpone for at least a year abolition of the trading capital tax. which is levied on businesses irrespective of whether they make a profit.

 A coalition agreement to lengthen shop opening hours has been cast into doubt by resistance among backbench MPs of Mr Kohl's own CDU. ● Last Friday, the government suffered its first defeat in the Bundestag (lower house) since the election when about 50 MPs from the CDU/CSU and Free Democrat coalition voted against it - and with the opposition SPD and Bundnis 90/ Green parties. The vote was in support of a resolution to withdraw an invitation to Bonn to

replaced by a weaker, more Mr Ali Akbar Velayati, the Irahas been badly damaged. A rules, has answered SPD nian foreign minister, following a Tehran government statement applauding the assassination of Mr Yitzhak Rabin, Israel's prime minister.

The parliamentary defeat was a very serious blow to Mr Klaus Kinkel, the FDP foreign minister, who had invited Mr Velayati with other Islamic notables to a high-level conference on relations with Islam this week: the conference has since been postponed. The vote nearly became a crisis for the government when Mr Kinkel threatened resignation. It required an emergency meeting of coalition leaders on Friday, called by Chancellor Kohl. to persuade the minister to

Despite the drama, however Friday's vote is unlikely to do although Mr Kinkel's standing

higger long-term problem is the end of the all-party consensus not to question the merits of monetary union. After two weeks of heated

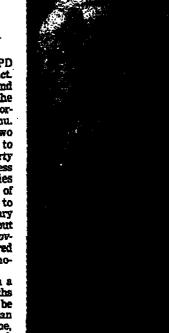
debate, there is in fact very little difference between the official government line on Emu and that of the SPD. Both sides say they want it. In a resolution to be debated at its party congress in Mannheim this week, the SPD says "we need an economic and monetary union", while the document accompanying Mr Waigel's proposed "Stability pact for Europe" calls Emu "a milestone in a Europe of peace and

prosperity".

Mr Waigel, having disclosed his plans to bolster the Masstricht convergence criteria with tougher conditions including fines on Emu members which break the budget deficit demands for a stability pact. Both the finance ministry and SPD agree that meeting the convergence criteria has priority over the timetable for Emu.

But the net effect of two week's debate has been to make the SPD appear the party which is concerned to address the German voters' worries about the prospective loss of the D-Mark. By refusing to answer a list of parliamentary questions from the SPD about Emu until February, the governing coalition has appeared uncommunicative, technocratic and out of touch.
The Emu debate has been a

tonic for the SPD after months of squabbles. It remains to be seen whether the party can build on this turn of fortune, and the recent setbacks suffered by the Bonn coalition, at



Chancellor Helmut Kohl:

Nato loses

German call for pension tax breaks

The head of Germany's largest investment fund group has urged the government to provide financial incentives along Anglo-Saxon lines for the growth of private pensions. Mr Christian Strenger,

chairman of DWS (owned by Deutsche Bank) which has DM80bn (\$57bn) of funds for their old age. In the US and UK, long-term investment in

upported by tax breaks. Germany's pension fund sys-

tem has become the subject of an intensifying debate as the number of pensioners grows in proportion to those still work-ing. Under the pay-as-you-go system, state pensions are paid from current contributions. But the falling birth rate means there will be roughly one worker for every pen-

The government has acted to prevent individual and company pension contributions

from rising to intolerable levels in coming years and to ensure payments to retirees are maintained. But calls for further reforms - including the encouragement of private pension provision - have come from economists, commercial bankers and the Bundesbank.

At present, Mr Strenger said, government-supported savings schemes only allowed people on low incomes to accupurchases and not for more

He maintained that schemes should be implemented which save on a tax-free basis for retirement over at least 25

Bankers commonly state that the lack of a well-developed private funded pension system, with money invested heavily in shares, is a handicap to the development of the German securities

Companies do set aside reserves for pensions to sup-plement the state scheme, but

Mr Strenger added, however that there appeared to be a "fresh breeze" blowing into the discussion on private pension provision.

He said the investment fund community was optimistic that the government would act in this area. Mr Manfred Laux, head of the German investment fund association, which has been lobbying the govern-ment, said he hoped the mounting public concern over the viability of the state pension system would prompt

candidate By Bruce Clark in Washington

second

Dutch

The Dutch foreign ministry

yesterday ruled out nominating its former chief, Mr Hans van den Broek, now European Union commissioner, for the post of Nato secretary-general.

The Dutch move deepened the disarray within the west-ern defence alliance which has followed last month's resignation of the Belgian politician Mr Willy Claes from Nato's top political job after he was named in a corruption scandal. Speculation had refocused on

Mr van den Broek after another top Dutch politician, Mr Rund Lubbers, former prime minister, was withdrawn from the race at Washington's insistence. The Dutch government made clear yesterday that, with sensitive negotiations on the EU's future looming, it wanted Mr van den Brock to remain where he

Diplomats said the name of Mr Giulio Amato, the former Italian prime minister, had been tentatively floated by some US officials. However, after the Lubbers fiasco, Roma is expected to be cautious about formally nominating Mr Amato unless it is clear he enjoys support at the highest levels of the US administra-

Mr Amato, who has spent time in the US, is perceived as a strong supporter of the transatlantic link. His name was floated briefly for the post of European Commission president when that fell vacant last

European governments are expected to hold further consultations on Nato's leadership at a meeting of foreign and defence ministers from the Western European Union, which begins in Madrid today.

Ideally, the Nato secretarygeneral should represent a European country which participates fully in Nato's military structure - a condition which rules out France and Spain - and is fully committed to the 10-nation WEU, a condition Denmark does not meet.

Mr Uffe Ellemann-Jensen, the former Danish foreign min-ister, who was the first declared candidate for the Nato job, hopes to soften French objections to his candidacy. But the French government

is understood to be frustrated by Washington's refusal to accept Mr Lubbers, and it will therefore not be in a mood to rethink its attitude to the Danish candidate.

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David White reports on a meeting between bosses from both sides of the Atlantic

seen Seville, goes an old saying, has never seen a marvel. But some of the participants at the first top-level Transatlantic Business Dialogue meeting in a rain-swept Seville this weekend were unclear whether they had witnessed a marvel or a conjuring trick.

Among Europeans, and especially the French, there were murmurings about "mistrust" better prepared. US business

hoever has never leaders and administration offition on condition protection cials spoke with one voice. A French official, taking a backseat role in the talks reserved for about 100 industry bosses from both sides of the Atlantic, commented: "The big defect of the Europeans is that

they are never co-ordinated." Mr Raymond Lévy, former Renault chief and now presi-dent of the Cercle de l'Economie, accused US participants of erecting a wall against propos-

"Everybody wants liberalisa-



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laws are maintained, and those laws are American," he said

US shows united front across the divide

This was not the view, however, of Mr Jan Timmer, president of Philips. "I was favourably surprised by the flexibility "There was absolute agree-

ment that there are far too many rules now, and they are united in frustration." The talks, held in the former

Africa pavilion built for Sevil-le's 1992 Expo, included what European Commission officials described as "some pretty heated discussion". That, said Mr Timmer, was fine. "If emotions don't flare up once in a while, you don't really achieve changes."

But some were worried that debates of this kind might only increase tensions, and even slow down steps to lower tariff barriers and remove other Mr Krister Ahlström, chair-

man of the Finnish Ahlström group, warned: "If we handle this the wrong way the practical obstacles will grow." Early scepticism on the European side about the usefulness of the exercise - held under the auspices of the US Department of Commerce and the European Commission was only partly dissipated.

"It's very pretty to say we want common standards," said 'If emotions

do not flare while, you do not really achieve changes'

Mr François Petit, vice-president of Alcatel Alsthom, the telecommunications and transport equipment group. Discussions like this could not go beyond generalities, and that was "very dangerous". He con-trasted the upbeat tone given to the discussions with the slow progress made in 18 months of multilateral negotiations on a deal to liberalise

Should the two sides har-

No, said Mr Robert Grow, president of Utah-based Geneva Steel. "In the industry I'm involved in, we've had enough change for a while." As long as Europe exported 20 times as much steel to the US as the US did to Europe, there should be no change in the laws, he maintained.

monise anti-dumping rules?

Some specific US grudges were kept out of the published conclusions to the conference. Mr I wiev dent of the Warner-Lambert drugs group, was unhappy that no recommendations were included on price-fixing and "parallel trade" in pharmaceu-ticals. "We had a slight difference of opinion here as to what

we were going to do," he said. However, Mr Peter Sutherland, former European commissioner and chairman of Goldman Sachs International, believed the conference - of which he was one of the cochairmen - had created a momentum. US and European authorities could not now ignore its proposals for further liberalising trade and invest-

But one participant commented: "This was the easy



Former EU commissioner Peter Sutherland (right) has a quiet word at the meeting with Xerox chairman Paul Allaire

Russian pro-democracy party chief voices fears to European leaders at Berlin meeting

riots, because the Communist

party, which leads the latest opinion polls, would bring its

The move was part of a wider plot to stop next year's

presidential elections, which

were far more important for the future of Russia, he added.

President Boris Yeltsin must

supporters on to the streets.

Yavlinsky warns of poll delay dangers

By Judy Dempsey and Quentin Peel in Berlin

Any delay in holding both parliamentary and presidential elections in Russia would deal a devastating blow to hopes of building democracy, Mr Grig-ory Yavlinsky, leader of the largest pro-democracy party, warned this weekend. That in turn would under-

mine stability in the country, and any hopes of lasting economic reform, he said.

At the same time he warned the west that moves to enlarge the Nato alliance to include the states of central and eastern Europe would play into the hands of Russia's military and

Speaking at a conference of attempt to have the whole eleceast and west European lead-

ers in Berlin, organised by the linsky said. He warned that tary-industrial complex, and Herbert Quandt foundation such a decision could cause the military staff, who would and the Financial Times, Mr Yavlinsky denounced new attempts to have Russia's electoral law declared unconstitutional, which could lead to an indefinite delay in the polls. "We have to stick with the timetable. When you hear talk of postponing elections in Russia, that can mean postponing

them for centuries."
Only days after Mr Yavlinsky's own Yabloko party won an appeal against being disbarred from next month's parliamentary elections, the supreme court last week decided to refer the electoral law to the constitutional court. "This is obviously another

be persuaded to leave office

peacefully if he lost those elections. "If the change of power is bloody, it will destroy democracy for a long time." was not for Russia to block eastern European countries from joining Nato, but "there

Mr Yavlinsky said that it are strong forces in Russia dreaming of an expansion of Nato". They included the mili-

be delighted to be able to maintain the existence of a "western threat". Any Nato enlargement would immediately be met by a Russian military union with

Belarus, and naked pressure on Ukraine to follow suit. His doubts were echoed by Mr Arkady Volsky, president of the Russian association of entrepreneurs and industrialists, and formerly a top Communist party official. He warned against any attempt to

enlargement of the European Union. "You are treading here on very thin ice," he said. If the west went ahead with Nato

fessor Jeffrey Sachs, director of the Harvard Institute for International Development, said genuine economic reform had come to a standstill in Russia. The privatisation process which had taken place over the past three years had simply resulted in a massive transfer of property ownership to former apparatchiks of the Com-

Both Mr Yavlinsky and Pro-

"The extent of theft of assets has been incomparably more in Russia than in other [former link Nato enlargement to socialist] countries," Mr Sachs said, with a devastating effect on public finances. Gazprom, giant state gas producer, had been "pocketed". "We don't know how, and we don't know

aspirants 'need markets not subsidies'

By Quentin Peel

The new democracies of central and eastern Europe should renounce any claims to subsidies from the European Union's special funds for regional aid if they join the EU, and simply demand full market access, according to one of their leading economic advisers.

Professor Jeffrey Sachs, director of the Harvard Institute for International Development, and an adviser to Poland, Estonia and Slovenia, said EU enlargement was "not a luxury, but a geopolitical imperative". At a conference of east and west

European leaders in Berlin, organised by the Herbert Quandt foundation and pean Union away from trade safethe Financial Times, he argued that the process need not be as expensive as west Europeans feared, nor long delayed.

He set out a six-point programme for enlargement which, he said, was both realistic and achievable. It would include membership for the "fastest-reforming countries" by 2000, a 10-year transition period from that date for agriculture and the free mobility of labour, and an opt-out from the EU social charter for the same period. He said the most fundamental

pean Union away from trade safeguards, including anti-dumping measures, to common competition policy for the whole region.

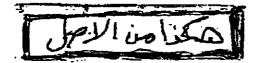
Western Europe would drop its anti-dumping actions, while eastern Europe would renounce subsidies to state enterprises. The aspirant member states of cen-

tral and eastern Europe should renomice their claims to subsidies from the EU "structural funds". "It doesn't need charity," he said. "It

anyone. . . . The east Europeans should say this clearly: we don't want Irish, Greek or Spanish money. We want access to the markets." The other principal requirement was for a co-ordinated infrastructure pro-

gramme between the two halves of Europe, a point also stressed by President Zhelya Zhelev of Bulgaria. Professor Sachs said the planning of key infrastructure projects for the 21st century, including energy networks, telecommunications, and transport

links, were being set today, needs markets and membership. Struc-tural funds do not help EU politics or their membership," he added.





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to clean up bank sector

By John Thomhill in Moscow

Russia's central bank is planning to crack down on criminal banks and strengthen its regulatory armoury as part of a drive to bolster the integ-rity of the country's financial

In his first interview since becoming acting head of the central bank last Wednesday, Mr Alexander Khandruyev said bank officials would this week meet a US presidential representative to discuss ways to halt international money laun-

Western banking officials have grown increasingly alarmed at criminal involvement in Russia's 2,500 banks and have denied several of them international licences until the domestic regulatory regime is improved.

There is a small group of banks which deal actively with illegal structures and launder money," Mr Khandruyev said. "The so-called mafia works actively in this area."

There were a range of instruments to force out these banks including the withdrawal of r licences, temporary administration, limitation of banking operations and restricting access to refinancing, he said.

But Mr Khandruyev, previously the bank's deputy chairman, said crime was limited in scope and emphasised there were many other clean banks which were growing increasingly strong and sophisticated.

About 50-100 banks already equate to world standards," he said. "The relatively big banks work in close co-operation with the government. It is profitable for banks to be close to power. That is true in other countries but especially in Russia."

Mr Khandruyev said the central bank would improve refinancing mechanisms to ease the liquidity problems that had paralysed the inter-bank lending market in August, and would encourage consolidation

have difficulties related to insufficient liquidity, misman-agement, and a lot of bad debts," he said. "We now have a very, very important task to strengthen the banking sys-

There would be a tough monetary policy and the main task of the central bank would be to support the stability of the

monova's determination to defend the rouble, Mr Khandruyev implied she had been insufficiently flexible in dealing with parliament and government and ineffective in managing the bank's internal functions. "The central bank is not only a professional institution, it is also a political body. We have to co-operate with the legislative and executive powers," he said.

pelled to compromise but sometimes we have to be very firm in our position. The main menace for the central bank is not parliament but the huge appetite of the government for additional money.

Mr Sergei Dubinin, the former finance minister, has rapidly emerged as the front-runner for the post of central bank governor. However, it seems unlikely that a permanent governor will be nominated by President Boris Yeltsin and approved by parliament before next month's parliamentary elections. In the meantime Mr Khandruyev is likely to face a stiff test of his independence as pressure mounts ahead of the election to loosen monetary

tem."
Mr Khandruyev is a conten-

tious figure in banking circles because of his close association with Mr Victor Gerashchenko, the head of the central bank during the rouble crash in October 1994. But he sought to counter concerns that the sacking of Mrs Tatiana Paramonova. his internationally respected predecessor, foreshadowed any easing of the

bank's tight monetary grip. national currency.

But, while praising Mrs Para-

"Sometimes we are com-



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Russia plans | E Slavonia's Serbs fear a hidden agenda

constantly dream of Ostjek, said Mr Dragan Car, a Serb who fled to eastern Slavo-nia after being driven out of his home town by the Croats four years ago. "I lost every-thing. Here they gave me a

house," he says.

Mr Car's hopes for a secure
future rest on the peace plan brokered yesterday. It calls for transitional rule over eastern Slavonia, the Serb-held region of Croatia which borders Serbia, before the disputed region comes under direct rule by Zagreb. There will be detailed guarantees of human

The agreement signed by local Serb and Croatian government officials was put for ward by President Slobodan Milosevic of Serbia and his Croatian counterpart, Mr Franjo Tudiman, at US-sponsored talks in Dayton, Ohio. Brokered by Mr Thorvald Stoltenberg, the UN mediator, and Mr Peter Galbraith, US ambassador to Croatia, the deal should avert a war, which

Yugoslavia. But Mr Slavko Dokmanovic, a member of the Serb negotiating team, is sceptical. "Tudiman wants to get rid of the last Serbs from Croatia. There will be no life for Serbs under Tudjman's government." Up to

had seemed imminent, and

remove a big obstacle to a

wider settlement for former

negotiated settlement in former Yugoslavia have risen acceptance by local Serb leaders in eastern Slavonia of a plan to return the area to Croatian authority, writes Bruce Clark in Washington.

Mr Thorvald Stoltenberg, the United Nations envoy, said the agreement to avert a new Serb-Croat clash could mean that "we have experienced the start of the end of the war" in the region. Diplomats said yesterday's

accord on eastern Slavonia had shown that Serbian president Slobodan Milosevic 200,000 Serbs fled two Croatian offensives in May and August.

state of Krajina and left eastern Slavonia as the last Serbheld area in Croatia. A year before war erupted, after Croatia declared independence from Serb-led Yugoslavia. Mr Dokmanovic was elected mayor of Vukovar, whose population was split

which crushed the rebel Serb

Croats and a jumble of other nationalities. Four years ago this week Vukovar fell to Serb forces after a three-month siege. The dead bodies and twisted wreckage have long been cleared away, but there is scarcely a

almost equally among Serbs,

retained influence over his kinsmen in neighbouring republics.

The deal, which clears the way for Belgrade and Zagreb recognise one another's borders unconditionally, marks the second hopeful development in the Balkan peace process over the past few days.

On Friday, leaders of Bosnia and Croatia agreed at the US-sponsored peace talks in Dayton, Ohio, to shore up their fragile federation and avoid the danger of a new conflict between Croats and

building which has not been scarred by Serb shelling of this once picturesque town set on the banks of the Danube River. All but a handful of the Cro-atian inhabitants of the region

were expelled. The new peace plan grants the Croatian refugees the right of return, but Mr Dokmanovic says there is no room for them until Serb refugees in eastern Slavonia are allowed back home.

Like Mr Car of Osijek, many of the 150,000 Serbs now in tern Slavonia fled fighting elsewhere in Croatia and say they will not leave the

Behind this defiant stand, there is a sense of defeat. It is a



Road to ruin: A woman walks past war-scarred buildings in Vukovar after the 1991 invasion

striking change from the trucu-lent nationalism of earlier years when the Serbs were the

strongest force. Mr Dokmanovic insists the Serbs had a choice - either fight, leave or sign a peace deal. They chose to sign. "It is up to the international community to protect us," he says. But fighting would have

meant defeat, since the Serbs could not count on Belgrade to come to their defence if the Croats had attacked the vulnerable plains of eastern Slavo-

In an effort to secure the lifting of UN sanctions against Belgrade, and wanting to

community as a peacemaker, Mr Milosevic, once widely seen as the man most responsible for Yugoslavia's violent disintegration, did not lift a finger to help the people in Krajina, whom he had once claimed to

champion. By contrast, his opposite number, a euphoric Mr Tudi-man, flush with Croatia's military success, is bellicose. The president's troops were regrouping as he warned he would seize the area by force if the Serbs did not sign a plan by November 30, when the UN mandate ran out. He vowed to drink coffee in Vukovar by Christmas. For the Croats,

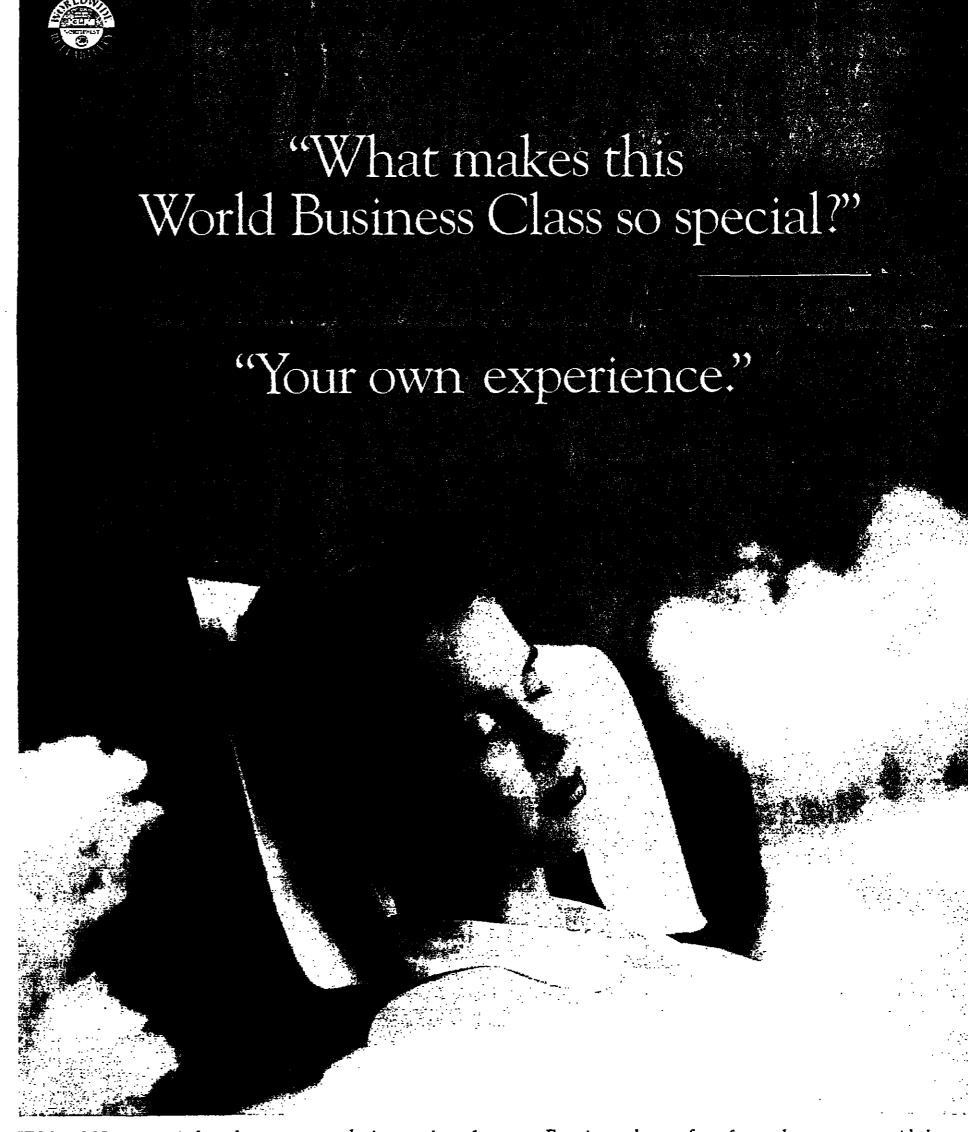
Vukovar is their symbol of

heroic resistance against the

Mr Car has met the presidents of both Serbia and Croa-tia before. Once the renowned manager of a landmark Osljek restaurant, Lovacki Rog, he had served the two presidents hinch at one of their 1990 summits which failed to halt the

march to war. His only hope is that this time the two presidents have been more successful. "From apartment," he said with a smile, which quickly fades. "This time I have nowhere else to go."

Laura Silber



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Silence of the grave in wake of hangings

By Paul Adams in Port Harcourt

Outside the public cemetery in Port Harcourt, sealed off by police since Ken Saro-Wiwa and eight other Ogonis were buried there on Friday, all seemed calm as people went to the nearby Anglican and Cath-olic churces yesterday.

In the big oil town in southeastern Nigeria, a few miles from Mr Saro-Wiwa's Ogoni birthplace, there have been no demonstrations since Friday's hangings nor outward signs of mourning for the late author, an Ogoni rights leader.

The apparent normality is partly contrived. The Funray, Port Harcourt's only daily newspaper, has omitted any mention of the hangings and earlier refused to publish an open letter by local leaders to head of state General Sani Abacha appealing for a stay of execution, due to a news blackout by the state government. Fear overrules the anger

may be happy that they eliminated Saro-Wiwa," says a motor mechanic. "The people that are bitter are the southern minorities. We are asking why the world did not do anything until the man was killed. We don't dare to do anything ourselves because we do not have

The outwards signs of nor-mal life hide bitterness and despair among many who believe that Mr Saro-Wiwa and the others were unjustly convicted of murder by a government-appointed tribunal because his campaign for more oil revenues and control over the environment challenged the military government and the oil industry which funds it. Across the Niger Delta, where millions live in poverty amid Nigeria's main source of wealth, the fate of Mr Saro-Wiwa is seen as warning from a regime dominated by the Hausa-speak-

ing north to minority tribes

which demand autonomy.

by multinational oil companies in Nigeria to improve strained relations with communities which surround their oilfields.

Most of the vulnerable operations are run by Royal Dutch/Shell, which produces half of Nigeria's oil and unlike the other big producers, Chev-ron and Mobil of the US, oper-ates mostly on land. Shell had appealed to Gen Abacha not to execute the Ogonis and on Fri-day expressed sadness at the hangings. The Anglo-Dutch oil company withdrew from Ogoniland in January 1993 after clashes with the community, which accuses it of polluting Grief for the four Ogoni poli-

been forgotten amid the resentment since the trial. "None of those hanged on Friday carried out the murders," said an Ogoni politician. "The local people know who

did these killings but the police

ticians murdered last year has

o to Hell Boycott Shell

ekend outside the Nigerian High Commission in Pretoria S Africans hold a vigil over the

gate. The state administrator just called in the army which picked up bystanders and arrested Saro-Wiwa."

Apart from Mr Saro-Wiwa, the others convicted were Barinem Kiobel, John Kpuniem, Baribo Bera, Saturday Dobiue, Felix Nwante, Monday Eawo, Daniel Gbakoo and Paul

All were taken from the army camp where they had

been held for more than a year to be hanged in the civilian prison, an old colonial building overlooking the Bundu waterside slum. Their corpses were put in the back of an open truck and taken to the public cemetery, where they were buried. A group of Ogonis who tried to get near were pursued and beaten up by police, according to nearby residents.

All weekend an armoured

car has been stationed near Mr Saro-Wiwa's deserted office and a paramilitary group guards entrance to the ceme-tery. Friends and relatives are not allowed near the grave. In Ogoniland the army has stepped up operations to preempt any uprising. "The army has invaded, there must be two battalions and most people are too frightened to go out," says

Commonwealth leaders give teeth to Harare declaration

By Michael Holman in Auckland

vears after Commonwealth leaders meeting in Harare, Zimbabwe, reaffirmed their commitment to democracy, human rights, and the rule of law, the declaration to which the city gave its name has been given teeth.

They may not yet have much bite. Commonwealth officials acknowledge, for the monitoring and consultative process that precedes action could be lengthy, and penalties and sanctions that face "errant" states which fail to live up to Harare principles may not win

collective support. But what has been called the Millbrook Commonwealth Action Programme, named after the New Zealand resort where the association leaders met to give it their blessing, is seen as a long overdue Commonwealth was so preoccupied with fighting apartheid that it overlooked human

Although it is certain to prove difficult to put into practice. Commonwealth leaders have already taken one important step: they have made clear that the Commonwealth is a club with rules and that countries which persistently flout them will be suspended and if

necessary expelled, as Nigeria discovered at the weekend. The first element in the programme is a series of measures designed not to punish but to support countries in their efforts to implement the

Harare declaration. Thus the Commonwealth will provide aid in constitutional and legal matters, help running elections, and strengthening the judiciary, the public service, and other institutions essential to democracy, through training and

The document also stresses importance of the link between democracy and sound economic development, and the Commonwealth will increase funds available for assistance, urging greater investment in developing member countries through such schemes as the Commonwealth Private Sector initiative and throwing Commonwealth weight behind

efforts to ease the debt burden

of poor countries. This includes backing measures to ease the strains posed by repayment of multilateral debts - notably to the World Bank and IMF - faced by several African countries.

But at the heart of the programme is a step-by-step series of measures to be taken by the Commonwealth secretariat, based in London, in response to violations of the Harare principles. These include: Immediate expression by

the secretary general of collec-

tive disapproval • Encouraging bilateral démarches by members. Appointment of an envoy or eminent Commonwealth representatives as factfinders or mediators.

to be cleared every two or three years.

produce crops over and over again.

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ration of democracy.

Pending restoration, exclusion of the government con-

cerned from participation at ministerial-level meetings of the Commonwealth. Suspension of participation

at all Commonwealth meetings, and of technical aid, if acceptable progress is not recorded by the government concerned after two years. Finally, punitive actions, including trade sanctions.

An eight-member "ministerial action group" can be con-vened by the secretary general to deal rapidly with serious or persistent violations of the Harare principles.

Shell to decide on gas plant by end of year

to go ahead with a \$4bn (£2.5bn) liquefied natural gas olant in Nigeria will be taken by the end of the year, according to Shell, the largest for-eign investor in the plant, writes David Lascelles. But Shell stressed in a statement last night that the plant would bring benefits to Nigeria and

the Ogoni people. The International Finance Corporation, the commercial lending arm of the World Bank, pulled out of the project in protest at the execution of Vir Ken Saro-Wiwa on Friday. The IFC's 2 per cent share would have to be reallocated, Shell said. This will probably be discussed at Wednesday's board meeting of the joint ven-

ture developing the project. Shell, with 24 per cent, is national oil company. Other investors are Elf of France

Italy with 10 per cent. Mr Brian Anderson, the managing director of Shell development in Nigeria, said construction work would provide 6,000 jobs in the Niger delta region and that the plant would improve the environment by reducing gas flare-

Charles Batchelor adds: Environmental campaign groups plan this week to step up their protests against the Nigerian government and

Greenpeace said its priority was to exert pressure on governments and the EU to apply sanctions, while The Body Shop chain said its campaign headquarters had been inundated with offers of help. Sir Bryan Nicholson, presi-

dent of the Confederation of the plant after Nigeria's British Industry, said UK companies would support sanctions against Nigeria.

INTERNATIONAL NEWS DIGEST

EU trade pact with Morocco

The European Union has removed one of the biggest stumbling blocks to its ambitious plans for a Mediterranean policy, to improve stability on its southern flank, by agreeing a wide-ranging trade and co-operation pact with Morocco. EU foreign ministers over the weekend settled differences between member states about the terms under which Moroccan agricultural products can enter the Union. The view was immediately approved by Morocco. The agreement ends years of negotiations on an association accord with Rabat which encompasses closer political co-operation and the creation of a free trade zone with the EU within 12 years. The breakthrough concludes one of the most difficult aspects of the EU's Mediterranean policy and sets the scene for a successful Euro Mediterranean conference in Barcelona Caroline Southey, Brussels

First poll for Azerbaijan

Azerbaijan yesterday held its first parliamentary election since it won independence in 1991. President Haydar Aliyev's Yeni Azerbaijan (New Azerbaijan) party looks set to win a majority in the Caucasus state's parliament. Foreign election monitors reported irregularities in some politing stations, including multiple-voting. The vote had already been under a cloud of suspicion because many opposition parties and andidates had been excluded.

Environment plans 'inadequate'

The European Union's policies are inadequate to meet the adverse effects of environmental developments on human nealth and the ecosystem, a report by the European Environment Agency concludes. The stabilisation of emissions of carbon dioxide, the most important greenhouse gas, by 2000, is in doubt because of continued transport growth, low energy prices and slow improvements in energy efficiency. The report, a review of the EU's Fifth Environmental Action Programme, is the first major report by the agency, which was set up by the EU in Copenhagen late last year.

The report says pressures on the environment have increased by more than the 1992 action programme expected, as a result of a larger increase in population growth, faster growth of road and air transport, and a continued rise in Hilary Barnes. Copenhagen

Romania opposition leader dies

Thousands of Romanians yesterday queued to pay their last respects to Mr Corneliu Coposu, the Romanian opposition leader and a national symbol of anti-communist resistance. who died on Saturday aged 79. Mr Coposu was imprisoned with the rest of the National Peasant party leadership by the Soviet-backed communist regime which took power in 1947. On his release in 1964 he had lost half his body weight and could barely speak after eight years in solitary confinement. Mr Coposu revived the party within days of the overthrow of the Ceausescu regime in December 1989, and over the next three years made it the main opposition to President Ion Diescu, a former senior communist. In 1992, he led the Democratic Convention, a coalition formed by the NPP and other opposition groups, to victory in the country's first post-communist local elections. Virginia Marsh. But Virginia Marsh, Budavest

Mobil nears Jakarta gas deal

Pertamina, the Indonesian state oil company, has agreed in principle to grant a 13 per cent stake to Mobil of the US in the giant Natuna gas project in the South China Sea north of Jakarta: Pertamina plans to divest much of the rest of its stake to Japanese companies, leaving it with 11 per cent of the project. Natuna contains an estimated 210,000bn cu ft of gas, of which 45,000bn cu ft are thought to be recoverable commercially. Mr Faisal Abda'oe, Pertamina's president director, said: "There are still more details to be discussed, because Mobil must carry the burden of Pertamina's stake in

being destroyed at very quickly by "slash the rate of thousands of and burn" farming methods. trees a minute, how can planting New tracts of tropical forest would then have just a handful of seedlings make a difference?

A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, cat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia lotea trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

For some delegates, the package falls short of what they would have backed, but in the words of prime minister John Major, had the Commonwealth not acted on Nigeria and set up procedures to cope with other members who flout democracy "the Harare declaration would not have been worth the paper • Stipulation of up to two it's printed on".

Battle to see who blinks over US budget spending

Republicans have gone to the brink but polls seem to harden Clinton's resolve, writes Jurek Martin

around the world each year. As result, six weeks into the 1995-96 fiscal year, Congress has reached no agreement on the \$243bn (£155bn) annual defence budget. Right-to-life members are seeking an outright ban on the operation; determined to resist.

The stalled defence bill is not the main reason why President Bill Clinton and the Republicans in Congress have locked themselves into such corners that, barring last minute compromises, the federal govern-ment will partly shut down tomorrow and risks default in its debt on Wednesday.

But it is symptomatic of the tactics the Republicans have used to further their own agenda and impose conditions on the President to get him to comply with their budgetary demands, thus avoiding Washington's "double witching

Some of the conditions are germane to the issue of the balanced budget goal, some are not. Congress has so far completed work on only four of the 13 regular annual appropriations bills and, of the incomplete, four are held up by abortion controversies. Caught in the wringer are such technical agencies as the Export-Import Bank, which provides export credits to US companies.

Typical of the unrelated is the Istook amendment, named after a Republican Congressman from Oklahoma, Mr Ernest Jim Istook believes that the welfare state has created too many vested interests. most of them liberal advocacy groups representing senior citizens and the poor.

His amendment would deny any group receiving federal grants the right to use other financial resources to lobby Congress and government. The Senate has watered down the

Between 10 and 12 abortions are performed on US military bases tough version passed by the House so it applies only to the largest interest groups, but it survives as part of the "continuing resolution" designed to keep the government in business until the overall budget confrontation is resolved.

The weekend's particular sticking point concerns the increase in Medicare premiums payable by patients and also tached to the continuing resolution. Republican reforms of Medicare include higher premiums but Mr Clinton says they have no part in a temporary funding bill. He is refusing to negotiate with Congress so

long as this clause remains. Abolishing the Commerce Department also remains in the House version of the bill, though it may be removed tonight in the Senate, House Republicans see this as an important symbol of their determination to cut government down to size. Other conditions appear

more germane to the immediate issue. Language in both temporary bills requires the President to commit himself to balancing the budget within seven years, a key Republican demand especially from freshmen in the House.

Mr Clinton has not said this is impossible, though he would prefer a longer period. But he believes it frames the necessary policy decisions in such a way that his hands are tied as he will be seen to have accepted fundamental Republican premises on which the budget debate is being fought.

The debt ceiling extension, as drafted by Congress, would deny the Treasury secretary the authority to take those "extraordinary" actions - such as under-investing in government retirement funds - considered essential to avoiding default

Congressman Newt Gingrich, the Speaker and principal Republican warrior along with Senator Bob Dole, the Senate majority leader, said that "clean bills" - simply and unconditionally extending the debt ceiling and funding the government pending overall budget negotiations - would be tantamount to giving a bankrupt unlimited credit card

In driving themselves to the brink, and in adding all their conditions to the temporary bills, Mr Gingrich and his allies seem convinced it is Mr Clinton, with a long record of vaciliation, who will finally

But each passing day produces a poll that appears to strengthen the President's resolve. One to be published today by the Los Angeles Times finds better than 2-1 support for a presidential veto. About 70 per cent said they would never vote for Mr Gingrich as President under any circumstances.

The Speaker was dismissive of all polls yesterday and blamed their present trend on Democratic propaganda advertising which "in any commercial business would be grounds for fraud". Yet the cold fact remains that whatever happens in the immediate days ahead - what-

ever Republican conditions are discarded or not - the budget battle still has not reached its Waterloo. That may not come now until well into December. In reality, the contrasting social visions of both sides will not be fully tested until next November's elections. Mr Clinton knows that - as he has shown in ever tougher public statements over the last 48 hours - and so did Mr Gingrich yesterday.

Back in April, as the White House now likes to point out, the Speaker had promised "a titanic legislative stand-off", in which all sorts of conditions would be attacked to the budget and debt ceiling bills. So far Mr Gingrich has been true

Peres at rally for Rabin

An estimated 250,000 people last night swamped central Tel Aviv to demonstrate their support for Arab-Israeli neace and show their respect for Mr Yitzhak Rabin, the assassinated prime minister. The rally was also unexpectedly attended by Mr Shimon Peres, acting prime minister, despite reports that security chiefs had urged him to stay away.

The large turnout at the rally, which marked the end of the traditional week of Jewish mourning, underlined the effect of Mr Rabin's death ou galvanising Israeli support for the government.

More than 2,000 police, marksmen, soldiers and secret security personnel were deployed ahead of an address by Mr Rabin's widow Leah around the public square where Mr Rabin was gunned down by a Jewish extremist last Saturday. In Cairo, 13 members of the

18-strong Palestine Liberation Organisation Executive committee attended a meeting of the ruling body to discuss the effects of Mr Rabin's death on the peace process and to plan for Palestinian elections due on January 20. Officials said it was the highest turnout since a September 1993 meeting narrowly approved the Israeli-Palestinian peace framework.

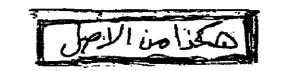
Ahead of the Cairo meeting Mr Yassir Arafat, PLO chairman, became the first voter to register for the elections as a three-week voter registration campaign got under way in the Palestinian self-ruled Gaza

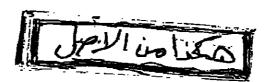
Up to 1.2m people out of a total Palestinian population of 2.5m are expected to register by December 2 to vote in the first Palestinian elections for a 82-member legislative and executive council and a separate ballot for a president of the council.

Palestinian officials also expected Mr Arafat to lead negotiations in Cairo with the extremist Hamas Islamic

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FINANCIAL TIMES MONDAY NOVEMBER 13 1995 ★

The Torce



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Apec's visionaries are put to the test ADB sets its

London, William Dawkins In Tokyo and Nikki Tait in Sydney

A visionary project for regional trade liberalisation enters a critical phase this week, when the 18 members of the Asia Pacific Economic Co-operation forum gather in Osaka, Japan, for their annual summit

Foreign and trade ministers plan on Thursday and Friday to finalise an "action agenda" for implementing last year's Bogor Declaration, in which Apec leaders surprised them-selves by pledging free trade and investment in the region by the year 2020.

The agenda - to be approved by the leaders on Sunday -will set guidelines for the steps their countries will take, collectively and individually, to lower trade barriers and deepen economic, administrative and technical co-operation.

Consensus will require a careful balance. To keep Apec moving forward, the leaders need to agree on a substantive package of measures, while respecting members' disparate levels of development and political attitudes.

Together, they account for about half the world's trade and output. However, the US and Japan, the two richest, have national incomes per head more than 25 times higher than China, the poorest.

The US also has turbulent commitment by exempting trade relations with Japan and agriculture. However, he also trade relations with Japan and

Despite intensive preparations by officials, the search for consensus in Osaka still faces stumbling blocks. The biggest arises from demands by Japan, China, South Korea and Taiwan that farm trade be given special treatment. Though Japan, as an industrialised Apec member, is supposed to liberalise its trade by 2010, it is refusing to guarantee

to open its highly protected agricultural market by then. Mr Hiromoto Seki, Japan's Apec ambassador, says his gov-ernment is not seeking to

dilute the grouping's free trade

insists the commitment does not extend to "abolishing all barriers to trade" by 2010. Such talk has infuriated other countries, particularly big agricultural exporters such

as the US, Australia and Can-

US officials say they plan to press Japan hard this week. However, they are not expected to push the issue to the brink, for fear of embarrassing their hosts and inflaming already sensitive relations with Tokyo on security policy.

Japan is proposing, as a com-promise, that countries should be obliged for several years to open farm trade no faster than status must be renewed annurequired by the Uruguay Round, provided they respect Apec's final liberalisation dead-

Senator Bob McMullan, Aus tralia's trade minister, said last week that Australia could live temporarily with such an arrangement. But while cautiously optimistic about a settlement, he said: "I think there are some things that only leaders can break through."

Japan, meanwhile, is seeking consolation in Washington's difficulty in guaranteeing that its future liberalisation will benefit all Apec members. The sticking point is China, whose Most Favoured Nation trade

ally by Congress. It is unclear how the problem will be settled - and

whether it will reopen in Osaka arguments between the US and China over Beijing's stalled application to join the World Trade Organisation.

Also unresolved is how to ensure that countries dismantle trade barriers at comparable speed. Although the issue is largely technical, it highlights differences in approach between Apec's Asian and western members.

The former favour "concerted unilateral liberalisation" by individual countries acting in consultation. But the US and Canada say the term is meaningless and want mem-bers bound by clearer and more specific commitments. Some leaders may unveil fresh national liberalisation initiatives in Osaka. But most

are expected to table only measures already announced. Though countries such as Indonesia and the Philippines are aggressively pursuing unilateral reforms, others seem reluctant to move faster than required by their commitments in the Uruguay Round.

The US, which once pushed hardest for decisive progress in Apec, will be hard put to offer much new in Osaka, because President Bill Clinton has limited trade negotiating authority. The US is expected to argue that its market is already largely open, and it is up to other Apec countries to

The firming up of market opening pledges is expected to be left to next year's Apec sum-mit, in the Philippines, shortly before the January 1997 launch date for the liberalisation exercise. The priority in Osaka will be to maintain the momentum. Apec officials are confident the leaders will not retreat from their ambitious shared vision. Says one negotiator: "No leader wants to stand up and tell the others they didn't really mean what they said in the Bogor Declaration.

sights on rich Asian nations

By Simon Kuper

Asia's richest emerging nations will this week be asked to increase their donations to the soft-loan fund of the Asian Development Bank, as western donors plan to reduce their

Donors are meeting in Amsterdam today and tomorrow to start talks on the new replenishment round of the bank's Asian development fund, which is intended largely to reduce poverty.

In the previous round, in 1992, \$4.2bn (£2.6bn) was raised. South Korea and Taiwan each donated \$15m. Hong Kong gave \$3m and Singapore nothing at all.

This year many western donors had expressed their "strong expectation" that these four countries would start paying more, said Mr Tadahiro Asami, ADB treasurer.

However, bank officials admit privately that the round may fail to equal the 1992 effort

Higher Asian donations would also encourage the US to pay in full the \$680m it pledged in 1992, said Mr Asami. So far the US has fallen short, and other western donors, whose payments are tied to Washington's, have followed

The ADB development fund has received about \$300m less than the amount pledged by donors in 1992. This shortfall and the yen's rise have meant that Japan, in effect, has provided 57 per cent of the total 1992 replenishment.

The US Congress is proposing to commit only \$110m to this year's round, although that is regarded as something of a triumph by the ADB, given the Republican party's onslaught on overseas aid.

South Korea appears the most likely of the Asian members to fill any void created by a western shortfall; the ADB's Korean governor has said his country plans to give "substantially more".

Seoul spends 0.07 per cent of gross domestic product on overseas development aid, against an average of 0.35 per cent for nations in the OECD, the group of rich countries which South Korea expects to

join next year. Hong Kong and Taiwan have also indicated they will give more. Bank officials say these nations are keen to raise their international profile to assert their independence from China.

Singapore remains reluctari to contribute, not least because it disapproves in principle of cash subsidies.

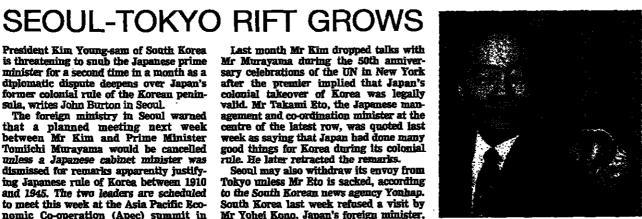
President Kim Young-sam of South Korea is threatening to snub the Japanese prime

minister for a second time in a month as a diplomatic dispute deepens over Japan's former colonial rule of the Korean peninsula, writes John Burton in Secul.

The foreign ministry in Seoul warned that a planned meeting next week between Mr Kim and Prime Minister Tomiichi Murayama would be cancelled unless a Japanese cabinet minister was dismissed for remarks apparently justifying Japanese rule of Korea between 1910 and 1945. The two leaders are scheduled to meet this week at the Asia Pacific Economic Co-operation (Apec) summit in

Last month Mr Kim dropped talks with Mr Murayama during the 50th anniversary celebrations of the UN in New York after the premier implied that Japan's colonial takeover of Korea was legally valid. Mr Takami Eto, the Japanese manent and co-ordination minister at the centre of the latest row, was quoted last week as saying that Japan had done many good things for Korea during its colonial rule. He later retracted the remarks.

Seoul may also withdraw its envoy from Tokyo unless Mr Eto is sacked, according to the South Korean news agency Youhap. South Korea last week refused a visit by Mr Yohei Kono, Japan's foreign minister, to solve the dispute.



Kim Young-sam: threatens snub

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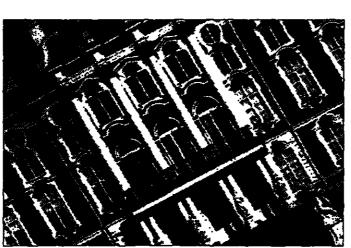
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S Korean probe into | quit gas slush fund project in widens net

South Korean prosecutors may indict as many as 10 leading businessmen for allegedly giv-ing kickbacks on state contracts to former President Roh Tae-woo and aiding him in laundering funds, writes John

Burton in Seoul. Mr Ahn Kang-min, the senior prosecutor investigating Mr Roh's \$650m (£411m) slush fund, said there was evidence that corporate contributions given to the former president amounted to bribes for business favours during his

1988-1993 term. The charges against the businessmen would follow the expected arrest of Mr Roh later

this week. The leaders of the country's 30 biggest conglomerates have been questioned by prosecutors, including the heads of Daewoo, Lotte and Miwon yesterday. The chairman of the Dongbang group, who is related to Mr Roh by marriage, faced a 49-hour interrogation. Mr Ahn said the prosecution was likely to extend its investigation to include state-run companies, bank executives,

and Mr Roh's family. Mr Park Kye-dong, an opposition MP who helped expose Mr Roh's slush fund three weeks ago, alleged at the week-end that the former president may have received more than

\$2bn in bribes. Meanwhile, a leading official in the ruling party said it might ask prosecutors to investigate allegations that senior politicians had taken money illegally from Mr Roh and business groups. The call for the probe appears aimed at opposition leaders who are already implicated in the scandal.

|Mitsui to Vietnam

Mitsui and Co, the Japanese trading house, is pulling out of a \$420m (£266m) gas project planned for Vietnam and its partner, British Gas, has scaled down its involvement in the scheme, dealing another blow to the country's nascent energy industry, writes Jer-

emy Grant in Hanoi. The project, to build an off-shore gas compression plat-form, pipeline, onshore facilities and a liquefied petroleum gas (LPG) plant on Vietnam's southern coast, was to hall been the country's first opportunity to use gas found offshore to fire power plants in the industrial south. However, Mitsui's pullout casts doubt on whether Vietnam can meet a deadline set by Mr Vo Van Kiet, prime minister, to bring gas ashore by 1997 to feed a

series of new power plants. Mitsui said in a letter dated November 2 that, after Viet-nam had failed to accept points made in the study. "we have no option but to with-draw", despite spending

"much time and great efforts". A British Gas official in Hanoi said the company had decided three months ago that it would submit another proposal for a \$270m project consisting of the LPG plant and terminal only.

Dr Mr Nguyen Hiep, vice-president of PetroVict-nam, said Vietnam would press ahead with the offshore component of the project by itself.

The Mitsui decision comes just two months after Total of France abandoned plans for a \$1.2bn project to build Vietnam's first oil refinery as it was commercially unviable.

urday by health regulators. Designers Collezione, which

sells European designer cloth-

ing at low prices, was poised to sell 2,000 items of imported

luxury-brand cosmetics at a

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Parallel imports leave bad odour

By Emiko Terazono in Tokyo

Tokyo's trend-setting office ladies have had a frustrating weekend. A crackdown by Japanese health authorities forced 200 of them to go home empty handed on Saturday, having waited all morning at a retailer to buy cheap "parallel" imports of huxury brand cosmetics such as Chanel, Christian Dior and Calvin Klein.

Parallel importers acquire original, and often luxury brand, products from sources other than official distributors and sell them on at substantial discounts.

Although individual consumers can bring cosmetics bought overseas into Japan, distribu-tors and retailers are banned by a drug law from selling imported cosmetics which do not have an attached list of the product's ingredients. This makes it impossible for parallel importers to retail cosmetics because manufacturers supply such information only to their official distributors. Before it was raided on Sat-

discount of 30-50 per cent The raid is the latest instance in which Japan's fashion-conscious female consumers have been hit by the

country's non-tariff trade barriers. Earlier this year, a boom in Chinese seaweed slimming soap - popularised by air stewardesses - prompted many

women to buy the product in bulk from abroad, such as Hong Kong, where it cost only a tenth of the price in Tokyo. But few purchasers were aware of a regulation which allows individuals to bring back only 24 bars of foreign soap into the country and so their surplus scaps were confiscated.

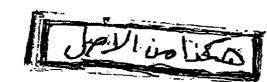
Designers Collezione says it is disappointed by the government's response and is plan-ning to challenge the government by submitting a petition demanding the law's revision.

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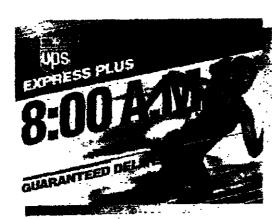
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FINANCIAL TIMES MONDAY NOVEMBER 13 1995 *





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Major rejects Irish PM's call on IRA arms

at Westminster

Tension between Britain and the Republic of Ireland about how best to drive forward the stalled Northern Ireland peace process increased yesterday. Mr John Major, the British premier, dismissed calls from Mr John Bruton, his Irish counterpart, for a compromise over decommissioning of weapons retained by paramilitary organ-

London on Saturday for a swift move to all-party talks - a position which would require Britain to soften its insistence on some surrender of terrorist

weapons beforehand. "The support of the British government for a reasonable compromise on the remaining issues in the way of all party talks is now needed to move the peace process forward," Mr Bruton said. The obstacles

were "comparatively minor in historical terms", he added. The issues still dividing the parties were "insignificant" and "little more than semantic". However, Mr Major, who returns to Britain today from the Commonwealth summit in New Zealand, rejected the call, saving the "impediment" to progress was not the UK government but Slnn Féin, the political wing of the Irish

British government representatives expressed their "dismay and astonishment" at Mr Brutrack" compromise. The compromise, which involved an ton's speech, stressing the disindependent arms commission covery on Friday of a terrorist running parallel with all party bomb in the republic near its border with Northern Ireland talks, foundered after Sinn Fein refused to accept the demand that it hand over some Mr Major also accused the republic's government of cavweapons as a gesture of "good ing in to Sinn Féin pressure

when it cancelled a planned Although he was careful not Anglo-Irish summit in Septemto attack or criticise Mr Bruton personally, Mr Major showed his irritation at the Irish preber after republicans made clear that they would not

mier's speech and said softening the government line would be a "reckless short term gesture".

Speaking in Auckland, Mr Major said there had been a good compromise available in September. "It wasn't the British government that backed away from that compromise. It was the Irish government. It could not proceed because it came under pressure from Sinn Fein and other people."

Minimum wage wins unexpected business support

A surprisingly high proportion of small companies - 40 per cent - have no objection in principle to a government-imposed national minimum wage, according to a poll by the Forum of Private Business. However, 50 per cent of those polled oppose a statutory minimum wage, with 10 per cent undecided. The majority feel such interference in the employer-worker relationship would reduce flexibility of recruitment, would restrict job opportunities and could recruitment, would restrict job opportunies and increase unemployment. "Even amongst those who agree with the principle of the minimum wage, there is very serious concern about the level at which it might be pitched and its possible effects on growth and jobs," said Mr Stan Mendham, the forum's chief executive.

the forum's chief executive.

The survey found that, of those supporting a minimum wage, 54 per cent feel that the £4.15 (\$6.55) hourly rate - for which some leading trade unionists have been pressing - would be too high. Andrew Bolger, Employment Correspondent

Shopping centres rated

Glasgow (the largest city in Scotland), Manchester in Northern England and London's Oxford Street are the UK's top three shopping destinations — well ahead of big out-of-town shopping centres such as Lakeside or Meadowhall — says a ranking of the quality and choice of the shops by Management Horizons, the retail consultancy. Ranked purely on the range and quality of their shops, traditional city centres score better than out-of-town "regional" centres, it says. While central London as a whole would top the rankings with 569 points. Management Horizons decided to split the city into several areas. On that basis, Oxford Street comes third overall, on 244 points, after Glasgow on 331, and Manchester on 249. Neil Buckley, Consumer Industries Staff

Plea to raise age limit rejected



Mrs Virginia Bottomley, minister responsible for the National Lottery, refused to raise the age limit for playing on the lottery from 16 to 18. She said in a GMTV broadcast that the government would not be forced into becoming a "nanny", and pointed out that people were allowed to marry at 16. The government came the national under pressure to raise the age last week when it emerged that a 15-year-old schoolboy had won £10,000 in a National Lottery scratchcard game. He told

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the shopkeeper he was 16 and went back to claim his winnings with his mother. Mrs Bottomley dismissed fears that young people could be drawn into gambling.

EU tax rises opposed

European Union officials must resist calls for Europe-wide increases in alcohol and tobacco taxes when they meet in Lisbon today to discuss harmonising EU excise duties, says a report from a rightwing London think-tank. The author, Mr Keith Boyfield, a London-based consultant, says failure to harmonise European excise duties has triggered an explosion in informal cross-border trade that "makes a laughing stock of the European single market". Participants at the Lisbon conference, organised by the European Commission, will debate whether to achieve greater harmonisation by levelling "up" duties in low-duty states, or by reducing the high duties charged in countries such as the UK.

Stephanie Flanders, Economics Staff

Fears grow over \$4bn aircraft order from UAE

By Bernard Gray, Defence Correspondent

A potential \$4bn export order for UK fighter aircraft to the United Arab Emirates may be threatened because the Foreign Office has so far failed to agree a mutual defence pact between Britain and the UAE.

The issue may surface as competition for the order between British, French and US manufacturers intensifies at the Dubai Air Show, which opened at the weekend.

The UAE is looking for up to 80 frontline combat aircraft over the next five years worth a total of \$4bn-\$5bn, and to spend as much again in support over a 20-year period. But it is insisting that countries tendering for the order should have defence alliances with the wealthy but sparsely populated Gulf state.

Britain has been negotiating a joint-defence memorandum of understanding with the UAE for more than a year, but has failed so far to come to an agreement. The Foreign Office is thought to be concerned about the binding defence guarantees it might be required to give.

Both France and the US have, however, signed such agreements, and are offering aircraft in the competition. France is offering the Dassault Mirage 2000 and its new Rafale fighters, while the US manufacturer McDonnell Douglas is offering its F-15 and F-18 fighters and Lockheed with the F-16.

Britain has offered to lease the UAE a squadron of Tornado ground attack aircraft until the Eurofighter becomes available after the turn of the century. The UAE is thought to be interested in the Eurofighter because it will be the most capable fighter aircraft available beyond 2000 with the exception of the Lockheed Martin F-22, which is unlikely to be sold for export to Gulf

However, the UAE is insisting that it must have a defence agreement in place with the UK if it is to consider the Eurofighter. The Foreign Office says negotiations are continuing but it cannot give a date when an agreement might be

The timetable has already slipped badly. Earlier this year senior Ministry of Defence figures were confident the agreement would be in place by last June, and that the MoD would not take any decisions on military equipment which would prejudice the UK meanwhile. In March, however, a \$200m order for anti-submarine warfare helicopters which had been expected to go to Westland of the UK went to the Franco-German Eurocopter

group instead. There is concern within the defence industry that if the government does not agree defence links with the UAE, Britain's place in the competition will be jeopardised.

Electricity supply reform at risk By David Wighton in London

The timetable for introducing competition into Britain's domestic electricity market in 1998 is being threatened by a dispute over who should meet the estimated £300m (\$474m) bill for new computer systems.

The electricity companies have been unable to agree on how the costs should be shared, raising fears that the start of the project could be

being accused of deliberately dragging their feet. "There are plenty of people who would prefer that 1998 did not bappen, and take every opportunity to slow the process," said one senior industry executive.

Any delay would be a serious embarrassment for the industry and the government. Mr Tim Eggar, the energy minister, is determined that there will be no repeat of the chaos

introduction of competition for commercial and industrial elec-

Extension of competition to all 22m domestic customers requires complex new comtle accounts between suppliers on the basis of estimated customer consumption and then adjust them according to subsequent domestic meter readings. Some generators argue

which followed last year's that they should not have to pay for the systems, because they receive no benefit from 1998. The regional electricity companies (recs) are concerned about how and when they would recover costs from customers. One rec chief executive said: "It is a genuinely tricky problem, but it needs to be sorted out quickly. The time-table is already very tight, and we really can't afford any slip-

Labour sets out agenda for City

By James Blitz at Westminster

Mr Alistair Darling, the opposition Labour party's spokesman on the City of London, is becoming a familiar figure to UK financiers - and with good reason. This affable 41-year-old Scot may soon be at the heart of the biggest changes to the regulation of banks and financial services for a decade.

In recent days the structure of the financial services industry has been much on the minds of MPs at Westminster. A report by the House of Commons Treasury committee has called for a review of the Bank of England's role as supervisor of the UK banking system. It also raised concerns about the operations of self-regulating organisations such as the Personal Investment Authority and the Securities and Futures Authority.

"The government has set itself against doing anything about the workings of the City before the election," says Mr Darling. "We are 40 points

"I know it's late, but I'd like some

sushi. How far do I have to go?"

ahead of the Tories in the polls. And the climate of opinion suggests that we will have no difficulty carrying out reforms in this field before too long." The latest possible date for the next general election is June 1997.

Last month, Mr Darling firmed up the Labour party's commitment to end self-regulation in financial services industries. The policy - which entails creating one regulator and giving that task to the Securities and Investments Board - is being flercely resisted by organisations such as the Personal Investment Authority, which believe they already act as accountable authorities.

But Mr Darling is adamant about the need to restore public confidence and to end confusion about the roles of the SIB and the self-regulating organisations. "The public needs to know that there is one regulator and that the buck stops there," he says.

Reform of banking supervision is far more sensitive, however. Here, in the wake of the



Alistair Darling: confident about ability to carry out reforms

Barings collapse, Labour's instincts are for supervision to be taken away from the Bank of England and given to a new and independent commission. Asked how his review will

turn out in this area, Mr Darling is at his most inscrutable. He insists that he is under no pressure to come to a quick verdict. "This is not a party political issue," he insists. "We don't want change for the sake of it. Britain's reputation abroad - and the City's reputation - matters to us and we the hoof."

He runs through the case for a separate supervisory body. First, there are too many organisations acting as supervisors in overlapping fields. He also says that the Barings debacle again raised doubts about the Bank retaining both the supervisory and monetary roles.

"Had there been a separate banking commission someone would have been fully focused on supervision and would not be spending half his time on monetary policy and the other

areas that the bank has to dis-

But he makes an equally good case for leaving the current system as it is - and betrays a little more enthusiasm as he makes it.

First, the system of supervision is only as good as the supervisors themselves - and it is far from clear that an independent body could get better staff than the Bank

"People love to go around saying they work for the Bank of England," he says. "But would they like to work for an anonymous commission?

He is also concerned by the international consequences of moving supervision away from the Bank. "The Bank of England, despite Barings and BCCI, enjoys a formidable reputation throughout the world," he says. "Many British institutions rely on that supervision for international credit rating purposes - so one has to be very very careful about removing that, and putting these institutions in diffi-

Names in court tomorrow

About 1,000 members of the Rose Thomson Young Syndicate 255 Action Group will open the latest Lloyd's of London court case tomorrow. One of the members is Mr Ian Lang, senior industry minister in the Conservative government. The group is claiming damages of more than £300m (\$474m) for losses incurred largely as a result of catastrophes which hit the insurance market in the late 1980s and early 1990s. The case, which is expected to last until early next year, comes as Lloyd's continues its efforts to forge an out of court settlement with litigating Names - individuals whose assets have traditionally sup-ported Lloyd's. Ralph Atkins, Insurance Correspondent

Rivals swoop: The owner of prize-winning racing pigeons together worth £20,000 (\$31,600) blamed jealous rivals for killing 13 of the birds. "Half my team has been wiped out," said Mr Ronnie Williamson of Portadown, Northern Ireland. Police were shocked at the ferocity of the attack on a loft that was guarded by friends of Mr Williamson while he was being awarded more prizes at a pigeon-fanciers' rally in Belfast.

Accountancy Campaign against liability may undermine self-regulation

Low-balling challenges profession

The State of Texas and the Law Society of Northern Ireland share a distinction of tants. Both have tried to tackle the issue of "low-balling" – an issue which has quite recently prompted two leading UK firms to engage in a public slanging match.

Stoy Hayward, the leading medium-tier firm, chose to tackle the matter publicly when it lost the audit of the RAC Club to Price Waterhouse, one of the Big Six. The resulting consternation prompted an official inquiry.
Some people see low-balling

merely as competition - the use of aggressive pricing to win revenue. To others, lowballing results in a damaging impact on the client or in the case of audit on the sharehold-

Undercutting of the audit price is seen as an entry fee. Once installed, the auditor tries to claw back losses either by securing other lucrative contracts or by eventually raising audit fees.

These practices mean that the audit contract becomes extremely important to the accountancy firm, because only by keeping it can the losses be reclaimed. In other words, the independence of the auditor is undermined. The auditor might also be tempted to give the clients what they have paid for a superficial

So in theory there are two kinds of low-balling - the good clients were damaged by com-and the bad. The Texas Public petitive pricing. They choose

Touche Ross, one of the Big consultants to implement Six accountancy firms, has cut advice as well as provide it. arm's staffing by 10 per cent. The firm said that 27 people had been made redundant while 28 had moved to other parts of the firm or had taken jobs with clients. A spokesman said the market now required

Accountancy Act of 1991 tries to safeguard companies against the bad variety. If auditing skills are offered for "compen-sation" which is "less than the direct labor cost reasonably expected", then there is a pre-sumption that there has been a "loss of independence". The Law Society of Northern

Ireland takes a stronger line. A lawyer who belongs to the soci-ety "shall not work for a fee or at a rate which" can "reasonably be regarded" as designed to attract clients rather than to make a profit. The rest of the world is

reluctant to tackle this issue for good reasons. There is an understandable fear that in combating bad low-balling, the result will be unfair restric-Any move to restrict compe-tition could be expected to face

regulatory inquiry. There is also scapticism over whether had low-balling exists. Where, ask the Big Six firms especially, is the evidence?

A working party headed by an independent outsider was duly set up by the Institute of Chartered Accountants in England and Wales. It found no evidence that large audit clients were damaged by com-

advice as well as provide it. This meant that staff with "traditional" consultancy skills had left. The firm is also restructuring in preparation for its consultancy arm to join a new separate global consultancy

their auditors for many reasons, and price was not the crucial factor. "In the case of listed companies, the threat of litigation is the strongest pro-tection against bad work," said

But there is a catch here for the profession. It is currently campaigning on several fronts to try and limit its liability on audit. If it succeeds, it may therefore remove, at least to some degree, the self-regulating mechanism which most of the large firms claim keeps the quality of audit work as the highest priority.

Another worry is the ferocity of the price war for auditors. The report said big audit clients do not choose by price alone. So what is driving the price war? Recent research from the universities of Glasgow and Exeter show a 22 per cent drop in audit fees on a change of auditor. Anecdotal evidence suggests clients can cut 10 per cent from the fee by just suggesting a tender pro-

All firms competing for audit work need to offer a competi-tive price - often a very low one compared with that paid to the sitting auditor. They are then forced to maintain the quality in order to defend their

exposure to legal action. The client therefore gets a very

But the danger is that, at such a price, the client may undervalue the audit and look on it as simply a commodity.

The independent report found the beginnings of an "expectation gap" between what management thinks it is paying the auditor for and what it actually receives.

The compilers of the inde-

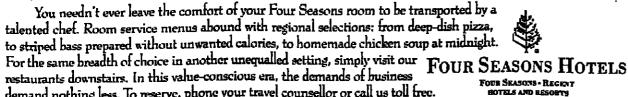
pendent report found widespread concern over the quality of work done by some accountancy firms, regardless of size, on the accounts of smaller companies. Some of the smaller companies saw the audit as a costly and unproductive necessity and look for the cheapest one available. Not surprisingly, there is a perception that work done for smaller

clients can be poor. The real problem appears to be that some clients are prepared to drive down the price of an audit because they do not particularly value its quality. It is important for the future of the profession that the emphasis is shifted from price to quality," concluded Miss Elizabeth Llewellyn-Smith. principal of St Hilda's College at Oxford University, who

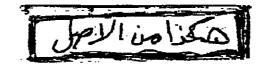
headed the report team. The working party even found some examples of promotional material for very small clients offering price cuts of 30, 40, or even 50 per cent compared with the current fee. The Llewellyn-Smith report quietly suggested that the institute look at ways of changing the way the audit is per-

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demand nothing less. To reserve, phone your travel counsellor or call us toll free.



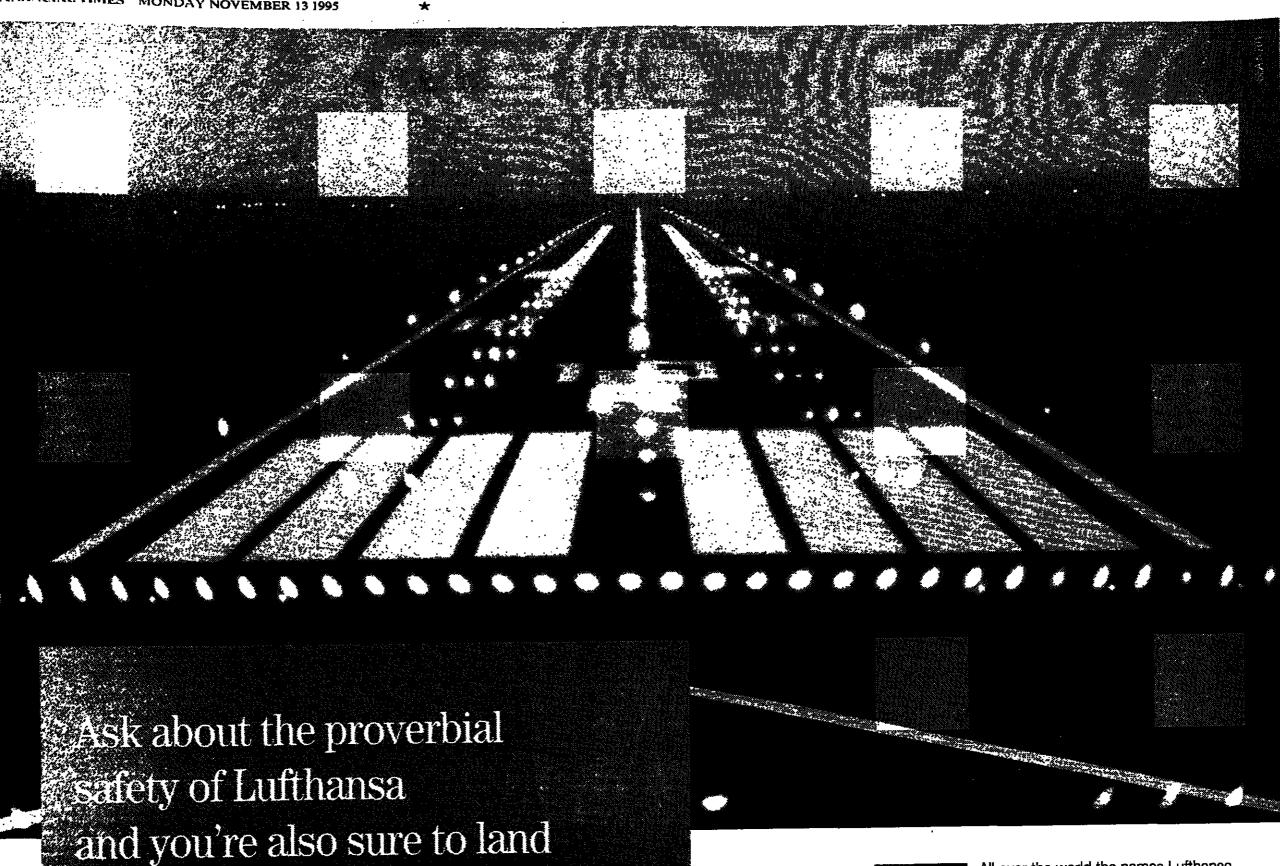
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FINANCIAL TIMES MONDAY NOVEMBER 13 1995

Tillin Hage





at Deutsche Telekom.

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On the flight path into the information age, Deutsche Telekom is soaring ahead. The advancement of our information highways plus the next-century multimedia projects we're already masterminding together with a host of different clients are incisive proof of our leading edge. Take, for instance, the remote maintenance system for aircraft developed jointly with Lufthansa.



All over the world the names Lufthansa and Deutsche Telekom stand for top quality made in Germany, albeit in completely different fields. Now, the airline synonymous with safety and Europe's

No.1 telecommunications player have something else in common - a far-reaching technological achievement.

We're taking off with multimedia.

Introducing the world's first multimedia remote maintenance system for aircraft, jointly developed for Lufthansa by Deutsche Telekom and its partners. The system supports maintenance of the Lufthansa fleet by means of a centralized image and data archive which Lufthansa engineers can access at all times via a telecommunications network. The condition of the engines is continuously monitored during flight and all up-to-the-minute status information transmitted nonstop via satellite. This data is computer-processed in Frankfurt and where necessary relayed as instructions to ground staff at the airport concerned. The system puts local experts, let's say in Cairo, directly in touch with the systems engineer in Frankfurt. This way safety precautions are enhanced, reliability boosted and an enormous amount of time and money saved.

Deutsche Telekom now a stock corporation.

At the beginning of this year Deutsche Telekom made the move from public to stock corporation. This not only allows us greater freedom to forge ahead with technological innovation even faster and more effectively in the service of our customers. It also lets us turn progress born of the information age to the advantage of society as a whole. Among other things, telecommunications made in Germany flies the flag as the most sophisticated ISDN network, the longest fiber-optics network running to some 90,000 km and the most closely-woven digital mobile communications network in the world.

You can share in our success.

We're on the wings of making the global information society a reality. Get to know our products and services honed to your special needs and you'll be in business fast.

Europe's No.1 in telecommunications.

Deutsche Telekom





not next year then

soon. This would be

Fielding teams to maximise the score

he Washington Post will be ligh-free has become conter than usual this morning because the Redskins had yesterday off. Actually, if Jack Kent Cooke, owner of the football team, has his way, the Post might be permanently ligh-ter on winter Mondays because he wants to move the team out of the city - admittedly not far, to the Maryland suburbs, but Braves, previously still out of the stadium which bears the called Milwaukee hallowed initials RFK

On the other hand, 40 miles down the road, the Baltimore Sun - so strapped it recently closed down its afternoon edition - can expect fat Monday papers from next year. Having lost its football team, the Colts, to Indianapolis in 1984, the city is getting ready to welcome - lawsuits and other minor considerations permitting the Cleveland Browns, whose owner, Art Modell, rather fancies his side playing in the brand new field that Baltimore has promised to build and make available rent free, and with \$75m of moving expenses

thrown in (well, football players are big). If most of the world is exercised by the trade in players to the point that even the European Court of Justice has abandoned its fascination with German shopping hours to become involved, the land of the

sumed by the trade in teams. It is some thing which cuts across all sports. Even baseball's new World Series champions, the Atlanta

and Boston home. Yesterday's football schedule makes the point. Teams included the aforementioned Indianapolis Colts (ex-Baltimore); the Oakland Raiders (back home after some years in Los Angeles); the St Louis Rams (in Los Angeles last year); the Arizona Cardinals (ex-St Louis); the New England Patriots (ex-Boston proper) and two sides that did not even exist last season, the Carolina Panthers, out of Charlotte, and the Jack-

sonville, Florida, Jaguars. Next year the odds are on the Houston Oilers moving to Nashville, Tennessee, where they will presumably be called the Countrymen, or perhaps the Oprys. And there could be a double-whammy loss for Houston, because its baseball Astros could end up in a suburb of northern Virginia, if

DATELINE

a **part** substitute for the Disneyland that Washington: The the well-heeled horgeographical mobility of sey set did not want city sports teams has little sullying their rolling to do with the fans, writes So, this is a highly **Jurek Martin**

mobile society. What else is new? Well, this trade in teams shows the continuing attraction of Florida and most of the Sunbelt, excluding Los Angeles, as well as Houston, which clearly made a terrible mistake in staging the awful Republican convention in 1992. By that yardstick, San Diego, next year's host city and home to three professional

major league sides, had better watch out.
The lure of the west coast is not exactly what it was in the 1950s when it first seduced baseball's Brooklyn Dodgers and New York Giants out to Los Angeles and San Francisco respectively. The city by the bay nearly lost its footballing 49ers years back, and its Candlestick stadium. which Willie Mays and Joe Montana once graced, has swapped its name for money and is now called, forgettably, 3-Com Park.

The hold both of baseball and football on Seattle is tenuous, especially now that its good citizens have refused to vote the funds to build a new indoor stadium to keep out the rain (the old one leaks and tiles keep falling off its roof, endangering valuable centre-fielders and wide receivers, not to mention spectators).

On the other hand, the great old rustbelt cities are experiencing a measurable renaissance, led by Baltimore and, Ari Modell notwithstanding, Cleveland, and both because of lovely new downtown baseball parks. George Steinbrenner, owner of the New York Yankees, keeps talking about moving out of that venerable stadium in the Bronx, but he would be lynched if he tried.

The Boston Garden may be no more, but its replacement threatens to be comfortable and have sanitary toilet facilities, increasing the city's growing status as a place to work and watch play. That is good for Boston, hit as hard as any city by the real estate debacle of the 1980s.

The problem with this natural justice hypothesis is that it has nothing to do with reality. Whatever owners may say about the attractions and/or shortcomings of cities, they move their sides for base



and/or good pecuniary reasons, with scant consideration for those who fill the seats or, as in political Washington, indict their neighbours on racketeering charges to acquire a season ticket. The Cleveland Browns, for example, have not been a great team since the 1950s, but sold out most Sundays whatever the weather.

What is more, urban officials are more than willing participants in the process. Governor Parris Glendening of Maryland

had never shown much interest in housing Jack Kent Cooke's Redskins, but he knows that the state's political power base lies in Baltimore and was able to put together in a trice a package of incentives to lure the Browns to the city centre.

Still, for every loss there is a gain. The football Bengals of Cincinnati could be headed for Cleveland soon. In this great global marketplace, the UK's own Watford should seriously consider Cincinnati.

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PEOPLE

Ayling takes the controls

Michael Skapinker talks to BA's new chief executive

As a teenager helping out in his parents' London grocery shops, it never occured to Robert Ayling that he might one day run a company as

large as British Airways.
The Aylings believed in working for themselves - or they did until the business collapsed when Robert was 15. He was taken out of public school and sent to work as a solicitors' clerk. For a time he regretted not having gone to university.

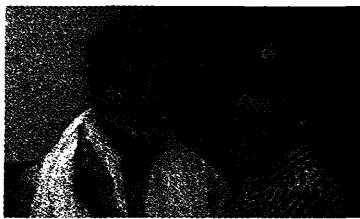
'It was a real loss because all my friends were at university and there was a sense of having missed out," he says. While his friends were doing A-levels, Ayling was taking his final law examinations. "One grew up rather quickly," he says.

By the age of 24, he was an equity partner in a City law firm. Looking for something different, he moved to the Department of Trade, rose to become legal under-secretary, and caught the eye of BA. He joined the company in 1985, two years before it was privatised. After a variety of senior jobs he was appointed managing director in 1993. A youthfullooking 49, he becomes chief executive in the New Year.

BA is one of the most respected and profitable airlines in the world, but Ayling thinks it could be better. One of his priorities will be to rid BA of what he sees as the last vestiges of its nationalised industry mer civil servant being irritated by the public sector residue at BA? "I out what is happening. don't really see myself as a public sector person because I started in the private sector. That's where my most impressionable years were, in the City," he says.

BA's public sector traditions live on in the refusal of many managers to take responsibility, he says. He recalls a meeting he once called to find out why the lounges at Heathrow airport's terminal four had not heen finished He asked the meeting who was

responsible for the lounges. Nobody answered. Finally, one of those



Robert Ayling gets set to rid BA of last public sector attitudes

sent raised his hand. Ayling knew he was not the person responsible, but when progress was made on the lounges he made sure the manager who raised his hand received the credit.

Do people refuse to take responsibility because they fear punishment if they fail? "The paradox here is that people are not punished. Not only are they not blamed, they are not praised either. A problem with BA is that there

are too many meetings, Ayling says. But the reason BA managers have so many meetings, he believes, is culture. Is there a paradox in a for- not just to avoid taking responsibility. It is because they want to find

If managers find it hard to know what is happening, it is even more difficult for employees lower down. Last week provided two examples of BA employees not getting the company's message. Staff at Heathrow's terminal one briefly walked out when they discovered students with foreign language skills had been brought in to belp deal with passengers. Ayling says staff members had been told six months ago that the students would be employed. The idea was to speed up check-in procedures, which would have benefited

"But the message was still not very convincing for people on the front line. That can only be because the system of communication is not what it should be." Ayling says.

The second lapse was over a black British passenger who discovered that BA staff had photocopied his passport. BA said its staff had behaved wrongly. Because govern-ments fine airlines heavily if they transport passengers without valid travel documents, BA photocopies passports from countries whose citizens might seek asylum somewhere else. This clearly does not apply to black UK citizens and Ayling

apologise. How will Ayling get BA's message to employees? By talking to them directly, he says. Even in a company with staff scattered around the world, television and satellite technology make it possible for all employees to receive news directly from the executives at the top.

Ayling says: "We should not use the written word. Nor should we have managers cascading information to one another, which inevitably means that the message that's communicated is not the one you started with."

IN THE NEWS

Larsen nudges J&J toward a more assertive style

The boss of the famously

Ralph Larsen, chairman of Johnson & Johnson, has just done something deeply shocking, writes Richard Waters in New York.

conservative healthcare and consumer products giant last week forced Cordis, a far smaller US healthcare company, to bow to an unwanted \$1bn takeover. It was the first hostile acquisition in the New Jersey group's history, and quite possibly a sign that J&J under Larsen is changing its style.

A career J&J man, Larsen, 56, has never cowered from making the tough decision. A decade ago, he urged the group to sell a division of which he had just been given. charge, a move that threatened to leave him jobless. And soon after becoming chairman in 1989, he pushed through a round of job cuts that seemed to signal a change in the company's paternalistic style.

"To be a success in today's competitive environment, you have to be tough-minded," he said at the

Larsen began his working life at J&J 33 years ago and has been there ever since, save for a brief mid-career break at Becton Dickinson - the same healthcare company that nurtured Merck's

new chairman, Ray Gilmartin. Though analytical, even clinical in his approach. Larsen does not work by dictat: rather, he has nudged and steered J&J's many TILM/VIDEO : businesses in the direction he wants them to move.

The hostile move on Cordis echoes that approach. From the outset, Larsen offered the company the carrot of a higher price if it accepted J&J's overtures, then brandished the stick of a proxy battle for control of the company's boardroom. Eventually, Cordis accepted the higher price.

Viag's political fixer Old habits die hard at Viag, the Munich-based diversified industrial congiomerate, writes Michael Lindemann in Bonn.

Not only is the Bavarian government still the company's largest single shareholder, with a 25.1 per cent blocking minority stake, but Viag has just appointed Georg von Waldenfels, until recently Bavaria's finance minister, as the new board member to oversee the contacts with the

political establishment. The appointment caused a furore in Munich, where the opposition Social Democrats in the Bayarian state parliament claimed that as finance minister Waldenfels gave Viag a tax break when it took over the Bayernwerk utility last year.

The discussion became even more ated when it emerged that Waldenfels would earn about DM700,000 (\$500,000) annually in the post and had refused, initially, to give up his seat in the Bavarian. state parliament. He has since been persuaded to do so.

Viag meanwhile insists that other German companies have similar political lobbyists, even if they are not as explicitly identified. Waldenfels will certainly have

his work cut out in the new job. Viag is one of Germany's 10 bigs companies in terms of sales, and in its core businesses - electricity, packaging, chemicals and transport - the real money is to be made outside Germany.

Waldenfels, who also used to be Bavaria's minister for European affairs, will be expected to ensure that Viag gets a proper hearing in Brussels and develops the right strategy for its expansion in Asia and other developing markets.

MUSIC

■ The songmasters of Squeeze Chris Difford and Glen Tilbrook must have felt they were banging their heads against a wall as they brought out a succession of catchy, tuneful singles at a time – during the 1970s punk explosion - to which they were never really suited. But the dominance of Britpop and the impending wave of Beatles revivalism gives them a perfect context for their new offering. Ridiculous (A&M) has plenty of the strong hooks which makes the band's best work such fun to hear.

It sounds like one of those collaborations which could have ended in a pretentious mess: André Previn providing the music, Toni Morrison the lyrics and Kathleen Battle the voice. In fact, Hue and Cry (Deutsche Grammophon) is a moving work, not quite "classical", not quite jazz, and beautifully sung. The work is paired with Samuel Barber's Knozville: Summer of 1915, and a couple of Gershwins from Porgy and Bess.

■ It is hard to remain objective about Queen's Made In Heaven (EMI Parlophone). Singer Freddie Mercury knew of his impending death when the album was being recorded, but insisted on laying down some of the vocals. He certainly sounds in fine form, and the four-year wait until the album's release is a testament to the care taken in polishing the final product. It is essential for fans, and even neutrals will find the combination of Mercury's lyrics and the circumstances under which they

☐ Stevie Wonder's latest, Natural Wonder (Motown), is a double live greatest hits album, recorded in Osaka, Japan. The versions are no more than competent, and cynics will ask how this talented man went from "Higher Ground" to "I Just Called to Say I Love You".

The second secon

were written resonant.

Peter Aspden

FT GUIDE TO

NEW MEDICINES

Medical researchers are becoming more and more excited about the remarkable growth in scientific knowledge about human health and sickness. They have discovered thousands of genes which can cause disease when they go wrong, and the biochemical workings of the body are understood in astonishing detail.

But where are the practical applications? When can we expect new drags to solve our greatest health problems, such as cancer and Alzheimer's disease?

Be patient. Remember that on average it takes about a decade to steer a new drug through the development process, from discovery of the molecule to large-scale clinical trials. And for the most intractable

problems, including degenerative brain diseases, several more years of basic research are required before the drug development process can start. There is no realistic chance that a cure for Alzheimer's, for example, could be on the market in less than 20

Medical researchers and the biotechnology industry are not always so cautious, are they? Some scientists do become too enthusiastic about their own proiects. And most biotech companies expect to lose money for several more years as they fund research and development without having products on the market. They tend, therefore, to exaggerate their rospects in order to ke

Can we at least trust the established pharmaceutical companies to be honest?

tors sweet

Well, they have no reason to talk up the potential of their long-term research. But the big companies sometimes allow their marketing departments to describe new drugs in terms which - while accurate enough to comply with regulations - give doctors and patients the impression of a breakthrough when they are really only a marginal improve-

Where should we be looking for real breakthroughs in the near future?

in areas where there has already been good progress in recent years, and where the disease process is already quite well understood. Here the extra knowledge given by human genetics will make an impact relatively quickly, when combined with powerful new pharmaceutical research techniques such as high-speed screening of candidate

How about some examples? Cardiovascular drugs - to control the heart and blood supply - have improved greatly over the past decade or so. Doctors can now offer good treatments for problems such as high blood pressure, chest pain, excessive cholesterol and the consequences of a heart attack. Pharmaceutical researchers will build on this with new drugs to treat unsolved cardiovascular problems such as stroke.

A slightly different example is sthma, where drugs now do little more than relieve symptoms. A

molecular understanding of asthma should lead to superior drugs that treat the underlying

Any chance of a cure for cancer? Yes and no. Cancer is not one disease but a collective term for many different disorders characterised by an uncontrolled proliferation of cells.

As the various genetic causes of cancer are discovered, researchers will be able to intervene in an increasing number of cases to stop the process and bring about a

Other cancers will remain recalcitrant. Of today's big killers, prospects look brighter for bowel and breast tumours than for lung and stomach cancers.

Is the pharmaceutical industry doing enough to bring us the benefits of the new biology?

The world's drug companies are spending as much on R&D as any-one could reasonably expect: about £20bn (\$31.6bn) a year between them.

As a proportion of sales, that is as high as any other hi-tech industry. And many companies intend to maintain or even increase R&D budgets in the years ahead, while taking action to improve productivity and harness R&D more closely to the market-

But hasn't Glaxo Wellcome just taken ruthless action to cut its R&D workforce and close its Ul research centre in Beckenham. Kent?

Yes. Glaxo Wellcome, the world's largest pharmaceutical group, said last week that it had cut 1.800 of the 11,500 R&D jobs inherited from Glaxo and Wellcome in this year's merger.

At the same time, however, it said it would maintain its R&D budget at £1.2bn a year by spending more on automation in-house on external collaborations. Its productivity target is a three-fold increase within five years in the rate at which it launches important new

Even if the drugs industry is doing as much research as we have a right to expect, can we be sure its efforts are being directed in the best way to benefit human health?

No. Obviously each company is trying to develop drugs that will produce the highest commercial returns. And under present pricing systems the return is likely to be lower for a quick cure than for a long-term maintenance therapy that keeps symptoms under con-trol without solving the underlying problem.

There is an argument that governments and health services should change the system to give companies more incentive to cure diseases, and to work on priority projects, such as finding new ways to kill bacteria that are becoming resistant to today's antibiotics.

But we must not expect too much. Some biological processes, such as ageing, will remain inevitable and irreversible, however much research we carry out.

Clive Cookson



Medicinal value: Many companies intend to boost their R&D budgets



His mind shattered local the door behinden As he closed the door behind him and stepped into the street, the bomb exploded. We collected him after his discharge from hospital A bomb can do a lot of damage in a narrow Belfast street where danger

We now look after him in our residential home. He will never leave it because of his fear of the outside. His brain connects the outside with pain, terror and danger. He can now only look at the outside world from The Ex-Services Mental Welfare Society has nearly 4,000 ex-Service

was a way of life for over 25 years.

men and women to look after and there are more still on the waiting list. Please do help. We have need of every penny urgently. They tried to give more than they could.

Please give as much as you can. TABLEE STRESS EX-SERVICES MENTAL WELFARE SOCIETY



You may not like the sound of the French film La Haine. It is about violence, delinquency and living on the breadline - all the things we get enough of at home them on the Paris streets. But Matthieu Kassovitz's movie is

the best French debut in years. His black-and-white camera turns the city's suburbs into a nervy purgatory, while his central trio of mixed ethnic youngsters - a Jew, an Arab, a black African - show that in some parts of France racial difference is no bar to brute criminal solidarity. This is a French Boyz N The Hood but without the preachiness or melodramatics. Even Hollywood, pre-Christmas,

is giving us a rest from those. Tommy Boy is a modestly praised comedy starring two ex-Saturday Night Livers. And Alfonso Arau's A Walk In The Clouds, from the director of Like Water For Chocolate, gives us Keanu Reeves and lashings of magic realism in 1940s California. Lovely to look at

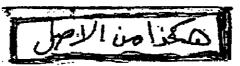
though less plot and more point might have helped. You could also explore curio

corner. Institute Benjamenta is the eagerly awaited feature debut of the Quay Brothers, the macabre Surrealist animators. And Exquisite Tenderness has Charles Dance and Malcolm McDowell going mad in a blood-spattered hospital. ☐ Still time to catch two good

movies at the London film festival. Wayne Wang's Smoke teams Harvey Keitel, William Hurt and screenwriter Paul Austen in a Brooklyn-set comedy, while Stanley Kwan's Red Rose, White Rose is a dazzling story of doomed love.

■ Time, too, to fast-forward through the week's principal video, Rob Roy. Skip the boring bits with Liam Neeson. Be amazed at Jessica Lange as Mrs Roy - Greek tragedy visits Scotland - and Tim Roth in fine form as the English villain.

Nigel Andrews



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MEDIA FUTURES



anywhere. forever. Never pay long distance. This is the slogan of a service that sounds too good to be true: international

Jackson phone calls, car-ried over the Interuct, that are completely free or cost no more than the price of a call to a friend around

The idea of internet telephony will not be new to FT readers, for it was mentioned in this column last May as the last of a list of four threats to the profitability of the world's telephone companies. But something has happened in recent weeks that has suddenly made the threat more grave and more immediate, and consequently far more exciting for consumers.

The story starts with the fact that speech can easily be turned into data, just as pictures, numbers, text and music can. And once it has

Dialup rattles the phone companies' cage

been digitised, a voice signal can be allow people to use their multime-treated like any other piece of data. allow people to use their multime-dia PCs as Internet telephones. The It can be stored on a diskette or CD-Rom or in the memory of a PC, and it can be sent over the Internet in a fraction of a second.

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Two years ago, a former Israeli army engineer called Elon Ganor noticed that this presented an extraordinary opportunity. To make international calls across the Internet, he reasoned, you would need a PC, a voice-enabled modem, a "soundcard" allowing the computer to record sounds and play them back and an Internet connection.

This may sound a long list. In fact . is the standard configuration of what is now known as a multimedia PC. More than 1m people already have this equipment in their homes.

Ganor's New Jersey-based company, Vocaltec, launched a software package last March that would package was an impressive techni-cal achievement. To make it work, Vocaltec had not only to develop a revolutionary approach to com-pressing and encoding the voice signals, but also to make it work with the Internet's existing standards.

lowed the sales tactics that made Netscape famous. It gives away a free trial version of the software to anyone who chooses to download it from the Internet, which limits the duration of calls to one minute.

Since March, Vocaltec has fol-

The initial release of iPhone, as the product is known, had two drawbacks. One was that it did not allow callers to talk and hear the other party simultaneously. To have an orderly conversation, they had to say "over" at the end of every sentence. This problem was

remedied in the summer, with a new release of the program for use with "full-duplex" modems that with "full-duplex" modems that allow simultaneous recording and playback. The second drawback was more

serious: IPhone allowed callers to talk only to people already logged on to the Internet. This meant that conversations had to be scheduled in advance, or arranged by making a quick international call

People without the necessary gadgetry could thus never receive incoming calls. As a result, even the greatest enthusiasts would be able to replace only a small proportion of their international calls with the Internet service.

Despite these drawbacks, some 10,000 people downloaded IPhone during its first week on the market. Yet the world's telephone compacent of their calls, their own call revenues would fall by only 0.01 per

Last month, that calculation was shown to be premature. A group of programming enthusiasts, enthralled by the fact that IPhone now has 600,000 users and horrified by the high price of international calls, started working on a system that would allow IPhone users to make calls to any telephone in the

Here is how their system works. Instead of just playing the incoming speech through its loudspeaker, the computer receiving an IPhone call picks up the phone on a separate line and dials a local call. Once the connection is established, it patches the incoming Internet call on to the

outgoing local call. Result: a phone call between the IPhone user and an ordinary phone subscriber. The venture, called Free World Dialup (http://www.pulver.com/), made its first successful call on October 17 between Tokyo and Jakarta. A beta version of the software is expected by November 22, and a working commercial launch next spring.

Problems may arise with pricing. World Dialup can only be free when the receiving computer pays nothing for making an outgoing local call, which is rarely the case outside the US. If it is not free, some way must be found of compensating the computer owner for the pennies that each local call costs. The service also raises legal issues. Jeff Pulver, the Wall Street analyst who is behind the venture, believes that its status as a non-commercial test makes it legal in the US. Elsewhere, service is almost certainly illegal.
"It will be interesting to see how [phone companies and regulators] react to this new development," says Pulver.

But phone companies may find that Free World Dialup is unstoppable. All it needs at the receiving end is an off-the-shelf multimedia PC and two phone lines – so a service could be maintained entirely by private individuals while siphoning off a growing proportion of international call traffic.

It is far too early to make predic-tions, but I cannot resist doing so. Six months from now, 10,000 international calls a day will be made using the Free World Dialup approach. A year from now, phone companies all over the world will see it as one of their biggest regulatory concerns. Two years from now. the system will start to have a material impact on telephone companies' call revenues.

● Tim Jackson can be reached as Tim Jackson@pobox.com



VIPE 70

● Touche Ross (http:// touche.gbnet.co.uk), one of Britain's leading accountancy firms, has established a site on which tax experts preview the UK's November 28 Budget. A complex. graphic-rich home page takes a while to load, but once you're in it looks good, with a simple button format. Hot Topics has a release on the EU capital adequacy directive. Good stuff.

 MSI Global Inc (unvic.msiglobal.com) provides research on global investment opportunities: a nice site which is very straightforward and hints at the extensive services available for registered clients.

 A basic gopher has recently been set up (gopher:::gopher.imf.org) which gives access to International Monetary Fund publications, press releases, working papers, speeches, directories and survey details, plus some pretty solid research material.

• The Harvard Journal of Law & Technology (*http:*) fas-www.harvard.cdu/ wtof; hjoli.html) is a great source of current research in this cutting-edge area. It includes details of upcoming events, plus an excellent selection of legal, government and academic sites. (The current address is temporary, since Harvard Law School's computer system is being upgraded. When the site moves, a forwarding link will appear at this site.)

• US News and World Report (www.usnews.com) is the online version of the popular American news magazine. Well presented, with good graphics, the latest issue features a story on business on the Net, a guide to mutual funds and an interview with black-activist leader Louis Farrakhan.

 Details of the upcoming Osaka conference on Asia-Pacific economic co-operation are available at http:// apre.toku.en.jp. The service is provided by the Japanese ministry of foreign affairs.

• The US department of energy's fossil energy Web network (www.fc.doc.gov) is a good stopping-off point for anyone in the resources sector. Good news updates, calendar of events and background information on US fossil energy programmes. Very detailed, but well laid out and easy to use.

 Anglian Water (www.anglunmater.co.uk;aw) has produced a nicely presented site with good environmental information as well as details of company and industry projects. It looks good and is simple and effective. The US Association of Water Technologies tumer our orgit also provides some worthwhile links.

 Nautica (www.melink.it.nautica) is a monthly yachting maga-rine, available in English or Italian, with a terrific range of information for sailors. from updated satellite weather images to the laws of the sea. Navigation simulators and an index of nautical classified ads are also available.

Stephen McGookin sterv a meanik demonaco.stk



Games without frontiers

The online games sector is set for take off, writes **Richard Vadon**

he Internet is still growing furiously. Yet some companies are already anticipating the next generation of online communications services, such as video-on-demand and video games that offer entertainment and interactivity.

Video-on-demand is being trialled in Europe, Asia and the US, and is still a little way from becoming a commercial reality. However, online video gaming services are up and running in the US, and big hitters such as international telecommunications giant AT&T and News Corporation, Rupert Murdoch's media group, are entering the fray. Indeed, research by Jupiter Com-

munications, the US consultant, predicts that online gaming will become a \$1.3bn business in the US by 2000. Playing games against unseen rivals who may live hundreds or thousands of miles away is not new - postal chess has been played for more than a century. But computers, which released people from having to find other people to play games with, are now bringing them together to play games in cyber-

The games themselves are only part of what makes online gaming enjoyable, for the players become part of a virtual community. All the US gaming networks report that players often log on just to watch others play, or to hang out and chat. Generally, online gamers tend to be

There is only a limited online gaming industry in Europe. But in the US things are moving fast, even though no-one is really clear how the market will develop or how best to deliver services. As a result, the leading US services - Catapult, AT&T's ImagiNation Network and Simutronics Corp - are taking different routes into the market.

Catapult is offering what almost amounts to a dating service for players of existing multi-player console and personal computer games such as Doom, Mortal Kombat and Streetfighter. Its service connects two players, keeps track of their scores and allows them to send e-mail and chat messages to each other.

Owners of PCs can already do most of this with direct modem-tomodem gaming. What makes Cata-pult stand out are the modems it has designed for consoles, which run at only 2.4 kilobits per second but allow full-speed real-time gaming because the only data sent are the joystick moves. The e-mail and chat services are so popular that Catapult sells keyboards for the games consoles

Simutronics uses online services such as America Online, Prodigy and GEnie to distribute its games, which range from graphics-based, arcade-style shoot-outs to text-based adventures. Simutronics' most popular game. Gemstone III, is a textbased, role-playing game. It is three mular as any of the comindulging in it. Nell Harris, Simutronics' vice-president, thinks it is a success because its players think of Gemstone as a place to visit rather than a game.

AT&T launched its gaming service, the ImagiNation Network, more than a year agn. It is a direct-dial service where users log on to ImagiNation computers to play a variety of multi-player games in different virtual worlds, ranging from fantasy role-playing to sports simu-lations. Traditional games such as bridge are also available - the US bridge team uses the ImagiNation Network to prepare for tournaments. ImagiNation customers spend about a third of their online time chatting

or dealing with e-mail. In the UK, British Telecom has announced the launch of a service called Wireplay, which should be fully operational by next summer. The company is taking the dating agency approach, offering customers a chance to play games they have on their own PCs against opponents connected by BT. Charges will be on a pay-as-you-play basis, with no subscription fees.

BT is negotiating with software developers to include the Wireplay access software within its games, and will introduce a special tariff for Wireplay calls which will also be available for other gaming operators. BT is not allowed to cross-subsidise its services, even to encoura



Wireplay has to demonstrate to Oftel, the UK's telecoms regulator, that it is a stand-alone business.

The online services networks eventually hope to access the global audiences that the Internet offers. At present, gaming via the Internet is limited by the constraints of the system. There is no animation or sound, and there can be long delays while pages load. Many games that are entertaining on a high-speed Internet line are just not worth it with a 28.8kbps modem because of the amount of graphical information that needs to be sent. The best mes on the Internet side-step these

net's strengths: interactivity and sense of community. Delphi, part of News Corporation, produces some excellent Internet games. Its newest and most advanced game is Netropolis, a kind of corporate Monopoly in which players compete by running businesses. You lose if you go bankrupt, get caught playing too many dirty tricks or fail to participate for 96 hours.

The game has been a great success, which inevitably means the server has been overloaded. Gaming via moderns can be slow but Delphi wants to make its game more effiriving Netropolis its own

not need to be downloaded. All Delphi's games are free via the Internet; Chris Thomajan, Delphi Europe's vice-president, says Delphi is study-ing "revenue models". He believes Delphi's games work on the Net because they have a "wicked spin" in keeping with the Net's spirit. How quickly online gaming grows

will depend, in part, on the costs of access and service. In the US local calls are free, so customers only have to pay for the service. European customers have to pay for calls, and this will no doubt hinder growth. Eventually, however, online

First among equals

Paul Taylor on an Internet provider with a deal it hopes will put it at the head of a crowded field

Computer users wanting to ioin the Internet for the first time face a bewildering choice of service providers and software packages. Indeed, a report by Durlacher, a London-based broker and analyst, estimates that there are up to 95 Internet service providers in Many of these are small

operators reselling capacity acquired from a handful of primary Internet service providers such as Unipalm's Pipex and Demon Internet, which operate their own networks and transatlantic links. Breaking into a market

which is already showing signs of consolidation is a tough challenge, but one Global Internet, a new west Londonbased primary Internet access provider, believes it can crack. Rather than depend on the communications infrastructure

of others. Global Interpet has

established its own transatlan-tic links from the outset. "We wanted to sit on the 'top table' right from the start," says Laurence Blackall, Global's founder and managing direc-

The company aims to provide both home and business PC users with "the fastest, easiest and most economical way to access the Internet", and is offering a comprehensive software package called Total Internet for £34.99, coupled with access to the Internet for £7.50 a month. This undercuts many of its rivals.

The software suite contains 23 different programs. These include Eudora, the e-mail package; a World Wide Web browser called Super Mosaic 2.1; a WWW 'Yellow Pages' directory, and Internet Phone software, which enables users to make telephone calls over the Internet.

Jan Murray, a non-executive director of Global and the PC World superstore pioneer, says: "Despite the burgeoning interest in the internet, it is still difficult for many non-professional PC users to access and use this technology. At Global Internet we are offering an extremely simple-to-use software product and service.

Blackall adds that the Internet is fast becoming "one of [today's] most important forms of communication. The market is being driven by innovative and creative multimedia content and falling hardware prices". He says most of the best-known high street retailers have recognised the Internet as an extremely powerful medium for reaching the 18-35 age group. With 65 per cent of all households forecast to own a PC by 2004, I think PC users without an Internet connection

Samaritans cross over to offer online help

About 4,500 people commit suicide in the UK alone each year, though the British government has set itself the target of reducing that figure by at least 15 per cent by the end of the century. As the Internet has

expanded, observers warn that the isolation and detachment that can characterise heavy use of the Net increases vulnerability and the risk of suicide. Novelists have produced nightmarish plots in which individuals entire lives are conducted online.

are conducted online.

"Internet users fit the general profile of classic high-risk groups," says Mark Segal, external relations director of Befrienders International, the worldwide parent of the Samaritans, the counselling group.

Research shows that men aged between 16 and 35 - a

aged between 16 and 35 - a group which covers the highest proportion of Internet users are particularly at risk, and Befrienders International recently expressed concern that in the UK suicides among young men have increased by more than 70 per cent in the

In response, the Samaritans started an e-mail counselling service in the UK this summer. since when it has dealt with about 1,300 contacts, a high proportion of which expressed Now, with funding from

telecoms operator Cable & Wireless, Befrienders international is planning to take its electronic advice service worldwide. It hopes to extend the service to the US. Australia and Japan, where the aim is to develop a Japanese-language version, and Hong Kong, which will initially receive an English language service.

Apart from a basic computer knowledge, no special skills are required for Samaritans operators who respond to e-mail messages, as distinct from the volunteers who deal with contacts by phone. "The special skill comes in the befriending," says Segal. But he acknowledges that

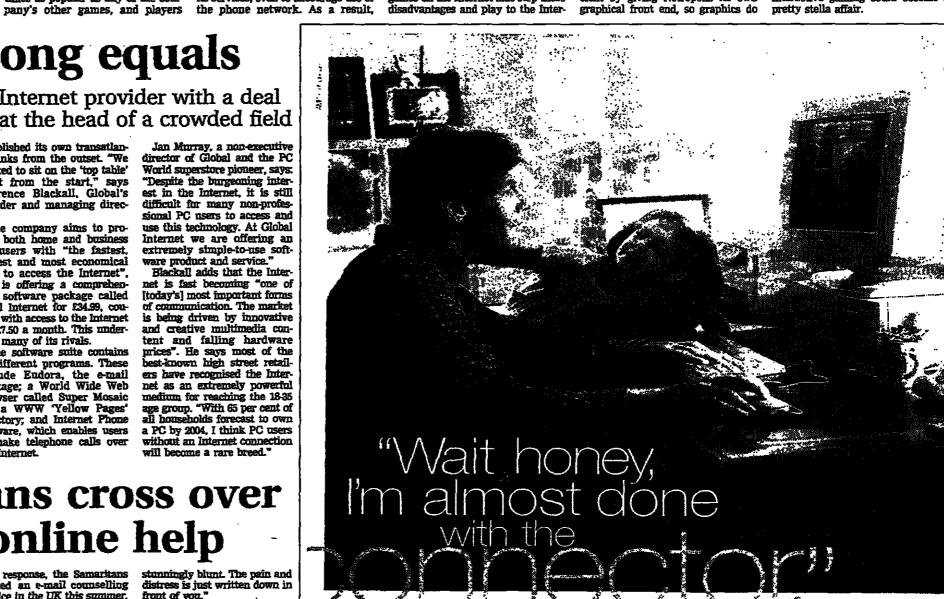
Internet culture is, by its nature, forthright and direct in its language and relationships. "When people are talking, they might ramble for hours. But in e-mail they are stanningly blunt. The pain and distress is just written down in front of you.' Phone calls to

Samaritans are never tape recorded, and the e-mail correspondence will be retained only for 30 days before being destroyed. The advantage in this, says Segal. is that when operators come on duty they can review the previous correspondence quite quickly, which might help them to deal more effectively with people who contact them

again.
It is also possible for callers to retain their anonymity by routing their e-mail through an anonymous server, If it is thought appropriate, operators can encourage callers to use

"We're not saying that one means of communication is better than any other," says Segal. "But the Samaritans want to respond to the way e choose micate." people

The Samaritans' e-mail helpline can be reached at jo@samaritans.org Stephen McGookin



Connector? It looks like a computer. Well, not to someone from AMP, because, as the world's premier connector company; our people have been stretching the concept of connectors. * Usually thought of as pieces of plastic and metal sitting between cables and circuit boards, connectors are being redefined. We're broadening their definition to include entire signal paths. For example, we see the one between a keyboard and the computer screen as one long connector. • This broader definition is the basis for our

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AMP

California's contract example

Inside every fat and bloated local authority there is a slim one struggling to get out.

o said Nicholas Ridley in a celebrated late-1980s attack on the state of English local government. He was particularly fond of lauding a council in California which had no employees, and where the councillors met once a year to review their contracts. He clearly saw it an ideal type to which England's councillors should aspire. At the time many in the UK found such ideas hard to believe. Yet such councils do exist and have a long history. They are the

California contract cities. In the US context, contract cities are not unusual in contracting for services. US local authorities have been contracting for well over a century. Their uniqueness lies in providing an alternative model of local government, based on contracting as a way of life. They tend to be small cities - a typical contract city will have a population of around 50,000, employ few staff and contract for virtually all its services.

These include "easy to contract for" services such as street maintenance and refuse collection, but also services regarded as sacrosanct in the UK - policing, fire, libraries and a wide range of support services.

The first contract city was born in 1954 when Lakewood was incorporated as a city government. At the time Lakewood was a growing suburban community of 70,000, some 20 miles south of Los Angeles and adjacent to Long Beach. It was an "unincorporated" area - it had no city government. Local services were provided by the County of Los Angeles, such as policing, fire and road maintenance. Local taxes were low

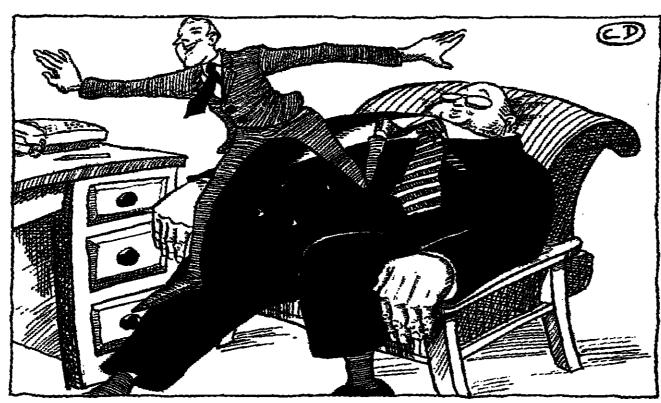
and residents wanted it to stay that way. City governments traditionally provide a higher and wider range of local services than counties - such as recreation, landscaping and arts and cultural programmes and levy higher taxes. In Lakewood, residents had spent years fighting attempts by the City of Long Beach to expand its boundaries into its area. They did not want to be swallowed by the "Big Brother Long Beach", but at the same time could not

afford to set up their own local authority. Moreover, both the political leaders and workers of Los Angeles County wanted the county to retain its role as a major urban government to the millions of people who

💙 outhwark might appear an unlikely venue for experi-ments with innovative management techniques. Controlled by the Labour party for decades, it is a long sliver of inner London, stretching from the south bank of the Thames through some of the city's poorest areas, such as Bermondsey and Peckham. It has the capital's largest stock of council houses, and on economic indices it is among the 10 most deprived boroughs in the country.

It therefore caused surprise in some quarters when the first attempt to produce comprehensive benchmarks for English councils' service to customers showed Southwark to be one of the best-managed councils in the country. Its housing department, in particular, was far better than the average.

For example, it took Southwark on average only 3.4 weeks to re-let a council property - the shortest time for any London authority apart



lived in unincorporated areas like Lakewood. Jobs and political careers were at

The idea of creating a contract city in Lakewood was a novel marriage between county interests and local residents. Lake-wood would become a fully fledged city but would contract with the county for its services. In particular, Lakewood contracted with the county for police, public works, recreation and various professional services. Special districts were established to provide fire and library services with County workers supplying the services.

As a result Lakewood was able to establish its own government but did not have the high setting-up costs that normally accompany incorporation. In the early years Lakewood employed only three staff: an attorney, a city manager and a secretary.

with annexation soon followed the Lakewood lead. In 1957 the California Contract Cities Association was established and by 1970 there were 32 contract cities. Today 116 of California's nearly 500 cities are contract cities. A new form of local government had been created, known as the "Lakewood

The Lakewood Plan has changed over time. Contract cities no longer contract exclusivity with the county, but also with a variety of suppliers, from the private and voluntary sectors as well as the county. Some have also set up in-house service providers. Lakewood uses city staff for tree trimming, parking control, town planning, financial and personnel services. It now employs around 160 of its own staff for its resident population of 80,000. There are fundamental differences

cities and UK local authorities. These include: • Complete versus partial and multiple

contracting. UK local authorities often contract for an entire service with one supplier. Contract cities regularly contract out either part of a function, retaining some in-house capability or they contract with more than one supplier. This is because they want to guard against the dangers of relying on a monopoly supplier.

• Flexibility. Lakewood-style contracts

tend to be more flexible than their UK counterparts. For example, it is usually possible to extend a contract without going through formal competition for many years. It is also possible to terminate a contract at short notice.

 Sacrosanct services. Contract cities do not hesitate to contract for core services

in the UK, such as policing, legal services, and the entire city engineer's function. • Inter- versus intra-governmental contracting. Many of the contracts are with other governments. The scope for such "cross-boundary tendering" is currently limited in the UK.

● Ideology and home rule. Decisions on contracting in California tend to be made on pragmatic rather than ideological grounds - "we'll try it if it saves money". There is no compulsory competitive tendering and cities are proud of their "home rule". They decide which services they will provide and how, as well as their form of government - how many politicians there should be; whether to have an elected mayor, and so on. These are not seen as legitimate issues for the state or federal governments.

private contract city is largely a myth. Contract cities exist, but they employ signifi-cant numbers of staff, provide some ser-vices directly and much of their contracting is with other public agencies. Moreover, their councillors meet more regularly than once a year - once a fortnight is the norm.

In other words, the Ridley image of the

Nevertheless, most observers regard contract cities as a financial success. Per capita spending for basic city services by contract cities is less than half the level of their full-service counterparts. Yet crime rates are low and quality of life is at least as good as in service cities.

This explains why an increasing number of full-service cities now take contracting seriously. The contract city model also enables small communities to control their services without losing the economies of

scale of large organisations.

This point should have informed the current reorganisation of UK local government. Unfortunately, the government's preoccupation was with structures, especially whether the two-tier structure should replaced by a system of unitary authorities. By separating structure from the way services are provided, they may have missed an opportunity to make local government more genuinely local.

Kevin Lavery is a senior consultant with Price Waterhouse, London. He spent 1994-95 as a Harkness Fellow in Los Angeles, and is currently completing a book on contracting

> tions, seeing how much households in arrears are penalising them, are much more likely to take the ultimate sanction if necessary than

All the comparative data have been made publicly available. The council has also used other more orthodox measures to improve services. It voluntarily put its revenues services to competitive tender in 1993. While the contract staved in house after the bid, the service was

The result of these reforms is the council's spectacular performance in the Audit Commission's performance indicators. Southwark is happy about the positive publicity this has generated. But it is refraining from too many grand claims. As Fraser says: "There's no magic. The point is to get it done."

John Authers

Benchmark in Southwark

City corporation. Nearby Hackney took an average of 37.4 weeks.

Southwark processed 96 per cent of housing benefit claims within 14 days, making it faster than any other London authorities har the City and Kensington & Chelsea, neither of which needed to contend

with such levels of deprivation. Auditors, startled by the results, speculated that Southwark must have subjected its housing department to some drastic management reforms. They were right. While the council is unlikely ever to attempt becoming a Californian contract city, it had overhauled its service instituting three main reforms: rigorous benchmarking: devolution of responsibilities:

 a management reorganisation to cut the number of senior staff and from the small and non-political reflect an "enabling authority"

rather than one designed to protect the interests of departments. The change in managerial struc-

ture was implemented last year. According to Jeremy Fraser, the council's leader: "We had to balance the budget and decide quality came before protecting staff. That meant we had to break up the managerial system, which was based upon service delivery. It looked at departments. It didn't look at clients against contractors. We had to empower a lot of middle managers a lot further down the line." The resulting changes, imple-

mented with cross-party support after the last local elections, removed a quarter of the senior management structure and halved the number of chief officers, from 10 to five, saving about £1m from the

allowed the council to soften the pain of this year's notoriously tight local government funding settle-

Devolution of power has been most dramatic in the borough's housing department. This was divided into 19 neighbourhood offices, with control vested in forums run by the local tenants' associations. The borough merely provides "support units" for them. while the tenants fix the budget right down to the overtime the chief officer for that area spends".

They have a big incentive to find savings and to collect rent arrears as they are allowed to keep half of any funds they raise beyond their targets to put towards long-term arrears collection. The borough director of housing's job is merely

targets - "more than enough pressure", according to Bob Coomber, the council's chief executive. Performance indicators are used

to police the newly freed housing departments. Each month the council supplies each neighbourhood with comparative statistics on how each is progressing towards its targets on a range of measures - numbers of empty homes, homes with squats, rent arrears, speed of replies to correspondence, speed of repairs, satisfaction with repairs and

Each neighbourhood can see at a glance if it is improving, and whether it is up to speed with its neighbours. Performance is already levelling upwards, while the borough also now has the highest eviction rate in London. According to annual pay-roll - a benefit which to provide the monitoring and set Coomber, local tenants' associa-

rather more distant central housing directors.

transformed into a separate group within the council which had to meet contractually set targets.

Five steps to being a chief exec

Dear Mr Andrew Teare.

Congratulations on your new job as chief executive of Rank Organisation. Bingo halls and Butlins seem a far cry from the business you know best, cement and minerals, so I thought I might presume to pass on some excellent advice I have just heard. Like all new CEOs you will be faced with a dilemma in the early days: should you go in shooting from the hip, or should you spend your first months observing and learning at the risk of los-ing momentum?

You should do neither! Instead you should ask five key questions: What are the basic goals of the company? What is the strategy for achieving these goals? What are the fundamental issues facing the company? What is its culture? And is the company organised in a way to support the goals, issues and cul-

And don't forget: Listen to what This advice comes from that sea-

head of SmithKline Beecham, who has just revealed his secrets of success to students at London Business School. I hope they are useful.
I must admit that until I read this speech, I had no idea that the busi-

ness of being a CEO was so simple as asking a few abstract questions and listening to the answers. That being the case I fail to understand why it took Rank a year to find the right person, but I suppose they know what they are doing. Good Luck.

"Directories, Jane speaking," said the woman when I phoned up Directory Enquiries last week. I asked for a number. Jane found the correct one and handed me over to the computer which read it out. Another satisfied customer, I put the phone down. Except that I was not satisfied. Jane speaking indeed! It is bad enough when you phone up your bank, the airline, or British Gas to soned manager Bob Bauman, ex- be told you are speaking to Tracey,

LUCY KELLAWAY

Tony or to Tricia. But Directory Enquiries is taking this pseudo cor-porate friendliness one step too far. dialled 192 again. "Directories,

Michelle speaking."
"Hello Michelle. Do you mind if I ask you how long you have been telling callers your name," I asked.
"Only since Monday."

"And what's the reason behind it? "It makes the service more personal. If you give your name you feel you are talking to a person, and it makes you do the job better." "And do you like it?"

"Oh yes!" If it makes Michelle happy then it can't be all bad. Yet if I had to

repeat my first name thousands of times a day it would not do anvthing for my job satisfaction. And speaking as a customer, I reject the dea that service has to be personal. One of the beauties of phoning Directory Enquiries used to be that it was impersonal. They knew nothing about you, save the number you were calling, and you knew nothing

I found myself watching a documentary about work uniforms the other night. It was a peculiar, rambling programme in which rubbish men,

security guards and the London seem in a company's interests to Ambulance Service talked about stamp on any such expression of their working wardrobes. As I watched them tell us about how their uniforms made them stand up straight and feel ready for work. I realised that I too would like to wear a uniform. Of course most of us white-collar workers already have a dress code of sorts, in that the clothes we put on for the office are different to the ones we wear for walking the dog. But it would be so much easier - and cheaper - to have a real uniform, something that didn't need too much ironing.

You might say that the Japanese experience of uniforms is not altogether promising. Their office workers have been wearing them for a long time, but companies are now having second thoughts, fearing that the uniform is sapping the creativity of their staff.

This is an interesting idea. If creative people really do like to wear creative clothes (and this I doubt) it is surely not the clothes that make them creative. In any case it would

stamp on any such expression of creativity. With this channel blocked, employees would be free to deploy their creative talents more profitably.

I am puzzled by the idea that poten-tial chairs of Son of Cadbury Committee are being put off for fear that they will receive the Sir Richard Greenbury treatment. The reason that Sir Richard was given such a hard time by the press was that his committee was ruling on the dynamite subject of executive pay. Corporate governance does not have quite the same kind of popular

However, there are better reasons why busy executives might not want to chair a committee on such an intricate (and at times tedious) subject, especially when nobody seems even able to decide exactly what it is the committee should be looking at.



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FAST BOWLER

Devon Malcolm

Public humiliation appears to be out of fashion as a leadership device these days - unless you happen to be running England's cricket team. The furore provoked in South Africa by recent psychological assaults or the fast bowler Devon Maicolm by tour manager Raymond Hingworth and coach Peter Lever raises motivational issues which are relevant to modern

business managers.
This weekend it was still too early to tell whether Illingworth's earlier comment that Malcolm had been written off as a test bowler, and Lever's jibe that he was a "nonentity" in cricketing terms apart from his pace, had provoked a badly ted return to form for the West Indian born England star. While sceptical of what one called a "dinosaur" leadership culture, however, management

experts were careful not to dismiss the "Rhytollah's" style. David Whitteler, former England Mockey player and Great Britain coach who runs Performance Consultants with the Olympic athiete Bayld
Henery and rating driver Sir
John Whitmore, says the biggest
surgise for him has been the
public nature of the row. There are times during interactions between people when strong words are spoken, but the key question is whether the performer is ready to hear a

Sport and business are identical in that both require humans to give high quality performances: the issues are the same whether the time frame is a short one (as in sport) or long (for example in developing a meressful salesman).

Sport is a particularly ant

metaphor these days, adds

is typically "intrinsic". In

today's "downsized" busines

climate when companies are no longer able to hold out the promise of rich rewards and rapid promotion - the classic "extrinsic" motivators of the 1980s - managers need to find other ways to bring out the best in their staff. Hence the new emphasis on encouraging personal development and trying to make people feel good about themselves. David Moore, managing director of The Results Parinership, a London-based consultancy, believes empowerment is a winning style but he concedes that a "more rigid approach" may be necessary at some stages in a ompany's evolution. "I don't think there is a right or wrong way. The drivers for change are usually external when the evidence of something like poor financial results demands a change of leadership and demonstrates that the old ways

aré no longer appropriate". Moore's sporting case study is the Austrian national ski team, whose insistence on highly trained and physically fit team members once produced spectacular results but which no tonger seems to be successful. The wisdom of leadership is to recognise where your team is on the global stage, what its skills and abilities are, and tease out their best performance.

Tim Dickson



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EDUCATION BUSINESS

In the first of a series on company training, Della Bradshaw visits Motorola

Chips off the old block

ben Robert Galvin, former chief executive of Motorola, was 72 years old he windsurfing. Happily or unhappily for those who work for the electronics company, he demanded similar devotion to learning from his employees.

Galvin decreed that everyone working for him, anywhere in the world, had to complete a minimum of 40 hours' training a year - and that includes the highest-paid executives as well as those who work on the production lines.



"You have to train the top guys to ask the right question - to ask about quality, say, if you are focusing on quality, say, if you are focusing on quality," says Tonnes Funch, the Danish head of Motorola University in Europe, Middle East and Africa.

Motorola University was set up to develop the programmes and now has 10 campuses, as far afield as Beijing and Austin, Texas, and is continuing to grow. It consumes the lion's share of Motorola's \$170m (£107m) budget for training, although individual business units are free to go outside the com-pany for training if they prefer.

Much of the training relates to the procedures required of a high-tech manufacturing company - quality control, time to market and customer satisfac-

will be a bigger consumer of Motorola products than the US.

"We can't start up in a new country without training," says Funch. "The idea is to develop the local people. If you don't give people training you are you don't give people training you are stealing from the future." So committed to global development

on training for international markets.

"All the training for our top people is to get them to work in the global econ-omy," says Funch. "Our future competi-

tive advantage will be in dealing with

He explains the scale of the chal-

lenge. Because Motorola is a high-tech-

nology company it has a rapid turnover in products. By 2005, 75 per cent of the

company's sales will be for products

that today are just a twinkle in a tech-

To compound the problem the market

for Motorola products is changing rap-

idly. The company has moved into 100 new countries in the past seven years and by 2005 Funch reckons that India

different cultures."

nologist's eye.

is Motorola that it is piloting its own international MBA programme from next year. The 18-month course will include time spent in five business schools - Tokyo, Lancaster in the UK, Insead in France, Bangalore in India and McGill University in Montreal, Canada, from where the programme will be

Funch is a strong believer that employees have to visit the country in order to soak up the cultural and business differences. "You need to be there,

more by doing that than sitting and listening to someone lecturing you for six months."

Funch argues that training provides a second very important function in an organisation which is growing so rapidly and has such a vast increase in new staff every year - 40,000 new employees have joined the company in the past two and a half years. need to have some glue to keep things together. Training is that give.

Surprisingly for an electronics company Funch admits that Motorola is not good at exploiting technology in order to deliver training to its international audience. There, however, the mobile phone to microchip manufacturer has hig plans – to deliver 30 per cent of all training by one of the emerging technologies by the turn of the century.

Although other companies such as McDonald's, the US hamburger chain, and Unipert, the British car parts manufacturer, have also dubbed their training facilities "universities" Funch still claims to be mildly embarrassed by the title. Indeed, in the UK the organisation has to call itself Motorola University (USA) to differentiate itself from regulated universities.

But Funch defends the name. "You can call it training or development, but who is electrified by that?" He does concede, however, that there is one difference between the Motorola school and a traditional university. "We don't

NEWS FROM

Alliance of technology and the academic

Computer giant IBM has teamed up with Manchester Business School to develop marketing and manage development education packages for IBM employee

The plans initially relate to IBM employees in the UK, but other European and US divisions have shown an interest in joining the re, which includes variety of courses, applied research, projects and consultancy. MBS has exchange schemes with 40 international business schools which could participate in the sche

Initially the venture should be worth about £500,000 a year to MBS. MBS already collaborates with IBM on marketing courses. A modular MBA programme signed for employees at IBM will begin at MBS in 1996, with 25 students. • MBS is marking its 30th anniversary with a series of

celebrity seminars from politicians, business people, authors and religious figures including Gillian Shephard, the UK's secretary of state for education and employment, and Gordon Brown, shadow chancellor of the exchequer. The first of the 15 seminars

will be on Tuesday November

MBS: UK, (0)161 275 6333.

From the coal mine

to the top of the class West Virginian coal miner's son Rex D. Adams has been appointed as the next dean of Duke University's Fuqua

School of Business.

The 55-year-old Rhodes scholar and graduate of Duke University is presently vice-president of administration of the Mobil Corporation. He will succeed Thomas F. Keller, who has been dean at Fuqua for 22 out of the school's 27-year

history.
Adams' appointment comes at a time when Fuqua is trying to increase its international appeal as a business school, particularly in Europe. Fugus: US, 919 684 2823.

Students hunt for consultancy projects

Students taking their MBAs at Ashridge Management College are looking for companies for which they can carry out a business project as part of their course. Each of the self-sponsoring

candidates will spend between 80 and 100 days working on their project, which is conducted on a consultancy-style basis and is intended to produce a practical solution to a strategic business problem

Included in past projects was one for Swiss food manufacturer Nestlé, exploring distribution networks in Russia and another to develop a quality management system to ISO 9000 for RAC Mechanical Insurance Services in the UK.

Ashridge charges a project management fee of £6.000. Ashridge: UK, (0)1442 841127.

Giving credit where credit is due

With the increasing proliferation of business schools and their courses, many schools and employers now think the time is right to develop a European-wide accreditation system.

With this in mind the Bonn-based organisation Fibaa (Foundation for International Business Administration) is holding a European Accreditation workshop to explore ideas. The meeting is in Frankfurt on November 21. Fibaa: Germany, 228 10 44 90.

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BUSINESS TRAVEL

Challenge to Alitalia Afftalia, the Italian state airline, is to get competition on one of its

most profitable routes, between Milan and Rome, reports Andrew Hill in Milan. From November 23, Air One, a new private Italiar carrier, will operate five flights a day between Milan's Linate airport and Rome's Flumicino in a direct challenge to the

Alitalia monopoly. Air One plans to undercut Alitalia's prices in the initial promotional period with a low-cost, high-service approach

using Boeing 737-300s. Until now, Alitalla has been the only airline on the route, with more than 30 flights daily.

Air One has evolved from Aliadriatica, a small regional airline and air tad operator. A number of its managers, including chief executive Giovanni Sebastiani, are former Alitzlia employees. it may have started a

trend. Italian newsp reported last week that another private carrier, Noman, was planning to start a Milan-Rome service of six daily flights from mid-December, although they said Noman would not try to undercut Alitalia's prices.

Virgin wins slots Virgin Atlantic is

to start flights between London Heathrow and

Washington DC late next spring. "We are delighted that we have finally obtained slots to operate to Washington," said the airline which had unsuccessfully applied for the slots four times.

The daily flights, using Airbus A340s, will leave London mid-morning and arrive at the US capital's Dulles airport early in the afternoon, Return flights will leave Washington early evening to arrive at Heathrow early next morning. Virgin expects a "healthy demand" from business passengers.

New Irish hotels

Holiday inn is to operate four hotels in the Republic of Ireland, in Dublin, Cork, Galway and Limerick, writes

Scheherazade Daneshkhu, The Gaiway and Cork hotels will be in Holiday Inn's Express budget range and are scheduled to open next April, while another Express hotel in Dublin will open in early July. The Garden Court hotel in Limerick is due to open in the first

quarter of 1997. Holiday inn also has agreements to run un-hotels in Northern Ireland, **Guernsey let flights**

An all-jet service between Guernsey and London Gatwick will be introduced by Jersey European Airways next March, when it starts using BAe 146 aircraft for its four-times-a-day weekday service. This will double its Guernsey-Gatwick seat capacity.

Barry Perrott, the airline's managing director, says: "Lack of a high-frequency jet service to London has for some time been considered a handicap in the island's ability to realise its full potential in the offshore financial services market.

"Indeed, Guernsey is the only [such] island without jets. Similarly, the international tourism market expects jets," he Russian safety fears Standards of Russian air safety are falling dramatically, and the proportion of serious accidents caused by inadequate air traffic

control has risen sharply in

the 1990s, a senior Russian

official has warned. The share of accidents in Russia attributed to poor skr traffic centrel has risen from 25 per cent to 35 per cent in the 1970s to about 50 per cent in the 1990s, the official added. He said the main reason for the deterioration in safety was the poor financing of Russia's air traffic system, where controllers handle about 7,500 flights a day.

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YOUR SWAHILI HAS GOTUSONE STEAK AND ONE LOCUST BIRYANI ...YOURS I THINK. **SANDERS**

A flight into Africa's future hank you for flying Alliance, your African home in the sky." said the head purser on

Africa's newest international airline as we touched down at Uganda's Entebbe airport. It was not only the end of a pleasant eight-hour flight from London, but also a glimpse of what may be the future for Africa's troubled airlines. The new carrier is a joint

venture between three stateowned airlines: South African Airways, which owns 40 per cent, and Air Tanzania and Uganda Airlines, which, with their governments, speak for the other 60 per cent.

Both Uganda Airways and Air Tanzania will now be limited to routes within Africa, acting as feeders for other flights and as onward carriers

Joel Kibazo finds the region's new international

airline a promising change from other services

to neighbouring countries. is likely to be welcome. Alliance started operating earlier this year, gaining lucra-tive charter business during rugby union's World Cup in South Africa. But it was not until July that it launched its international scheduled passenger service with two flights week between London, Entebbe and Dar es Salaam. Routes to the middle east and

India are planned for next

For seasoned business travellers in Africa, where air-lines generally do everybut get passengers the arrival of Alliance

Its Monday and Friday flights from London's Heathrow airport leave at 10pm, allowing a full day of busines before the flight. With British Airways having decided to transfer all its flights to east and central Africa to London's other main airport, Gatwick, from March next year, Alli-ance's Heathrow slot will be an undoubted attraction for many

Once aboard, business-class travellers receive courteous but unobtrusive service from a cabin crew that is a mixture of staff on loan from SAA and newly trained Ugandans and send. There was nothing that

Tanzanians. This courteous service is perhaps one of the main features to distinguish Alliance from some other African airlines with their fre-

quently surly approach.
With a fine wine list mainly made up of South African wines, I was looking forward to working my way through the menu. But what you get is steak or fish - only available in western style. The only conession to variety was vegetable biryani, a wise move given the big British Asian community with business interests in east Africa for whom a nonstop flight to Uganda is a godcould be considered traditional African food. With South Africa's spring-

bok emblem on all the cutlery and crockery, there is no getting away from the fact that SAA, which also leases a Boeing 747 to Alliance, is an important part of the venture. But if SAA's equipment will

be discarded as soon as that ordered by Alliance arrives, there is little excuse for the absence of Swahili on the newly printed Alliance safety

The cards are printed in English, French, German and Afrikaans. Yet Swahili is the national language of Tanzania and Kenya and is widely spoken throughout east Africa, the region from which Alliance hopes to draw many of its pas-

ian" of the early German paintbestsellers airside for the week starting November 6. It is not due on general paperback sale until June John Grisham's bestselling hardback, Rainmaker, is due to arrive at airport bookshops in paperback on

December 1, but will not be on general sale until January 29. "That will go straight to No 1," predicts Brown. For Grisham's last book, The Chamber, Brown ordered 5,000 paperback copies for the airside shops, and sold out in three days.
With books published in tranches

during the year to catch seasonal markets, Brown says March is a good time to plan a trip. "All the summer best-sellers will be there."

Kate Bevan | hallucinatory clarity.

Masterpiece for a Geneva cathedral



not renowned for its great painters, but it can lav claim to arguably the AN HOUR first real land-TOSPARE scape of northern European

art. In pride of place in Geneva's Musée d'art et d'histoire, cordoned off by ropes to ensure that visitors keep a respectful distance, is Konrad Witz's St Peter Altarpiece. Witz, the most "Van Eyck-

ers, became a citizen of Basle in 1435, and was commissioned to produce the main altarpiece of Geneva's St Peter's Cathedral nine years later. Scenes from the saint's life are painted on both sides of its two panels. "The Miraculous Draught of Fishes" is the marvel.

While other painters before Witz introduced realistic landscapes into their paintings. Witz has located his Biblical characters squarely in the local landscape. The fishermen cast their nets in the Lake of Geneva and Mont Blanc and snow-capped peaks rise in the distance. Each field and hedge. lakeside weed and submerged pebble is rendered with almost

Witz revels in demonstrating his technical prowess and careful observation of nature from the cirrus clouds above and the ripples made by the moving boat to the simplified reflections of the fishermen in the water and the blurred form

of the half-submerged St Peter. But it would be a mistake to pigeonhole the panel as simply a piece of precocious topography. Witz's composition is cleverly composed and his recreation of the moment when Christ appears to his future disciples is masterly.

Intent on pulling in their enormous catch or steadying the boat, not all the fisherman notice Christ hovering on the water. The astonishment of the others, and Peter's immediate response of plunging into the water with outstretched arms to embrace his Lord is truly affecting, despite the damage to the faces wrought by 16th century iconoclasts.

It is hard not to read the noble, red-robed figure of Christ under Mont Blanc as an allusion to Christ's later words to Peter, and to the building of the new cathedral: "Thou art Peter, and upon this rock I will my Church.

Susan Moore



I pack for a trip, I always

buy at least one more

when I get to a UK airport.

for beyond passport control - "air-

side" - the shelves are stacked with

titles not yet available in the

"Once you've gone through pass-

port control, you've technically left

A departure for all readers

agreement earlier this year has had

Christmas season, just now coming into the shops, have been available at UK airports since August or September, while books for the summer holidays were being snapped up by travellers in March.

the country," explains Sam Brown, airports book buyer for W.H. Smith, But there is no standard for how the UK retailer, which has shops both early books arrive at the airports. sides of passport control at most UK David Crombie, trade sales director airports. "The publishing rules that of publisher HarperCollins, says he apply in the UK aren't necessarily the presses for as long a period as possible between hardback and paperback same outside the UK." Thus books still in hardback in UK publication, which has a knock-on effect on airport books. "There's no shops can be available in paperback at the airport, sometimes several hard and fast rule." he says. months in advance. Books for the The collapse of the UK's net book

little effect at airports, says Crombie. "Shops at airports have to have the same prices as they do in their highstreet branches," under the rules laid down by BAA, the privatised airports

Different airports have different patterns of sales, says Brown. At Heathrow, "male reads" such as thrillers and business books - or "boy's books", as she calls them – are stronger sellers than the latest fat bonkbuster. Soros on "four or five times more" at Heathrow than Gatwick, she

"It's because there are more scheduled flights from Heathrow," she adds. "It's a different kind of passenger. Business trips are on scheduled flights, not charter flights" which operate out of other UK airports, including Gatwick. (A few use Heath-

Some of the big names for next year are already at the airport in paperback. Peter Hoeg's new book, Soros, the autobiography of interna-Borderliners, was 11th in W.H. Smith's list of top 15 paperback

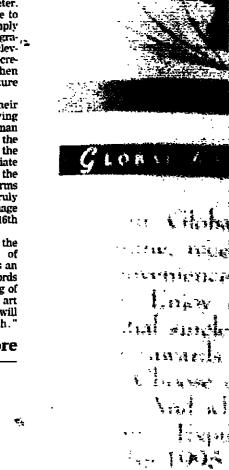
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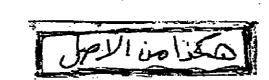
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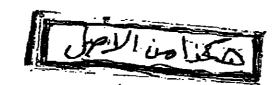
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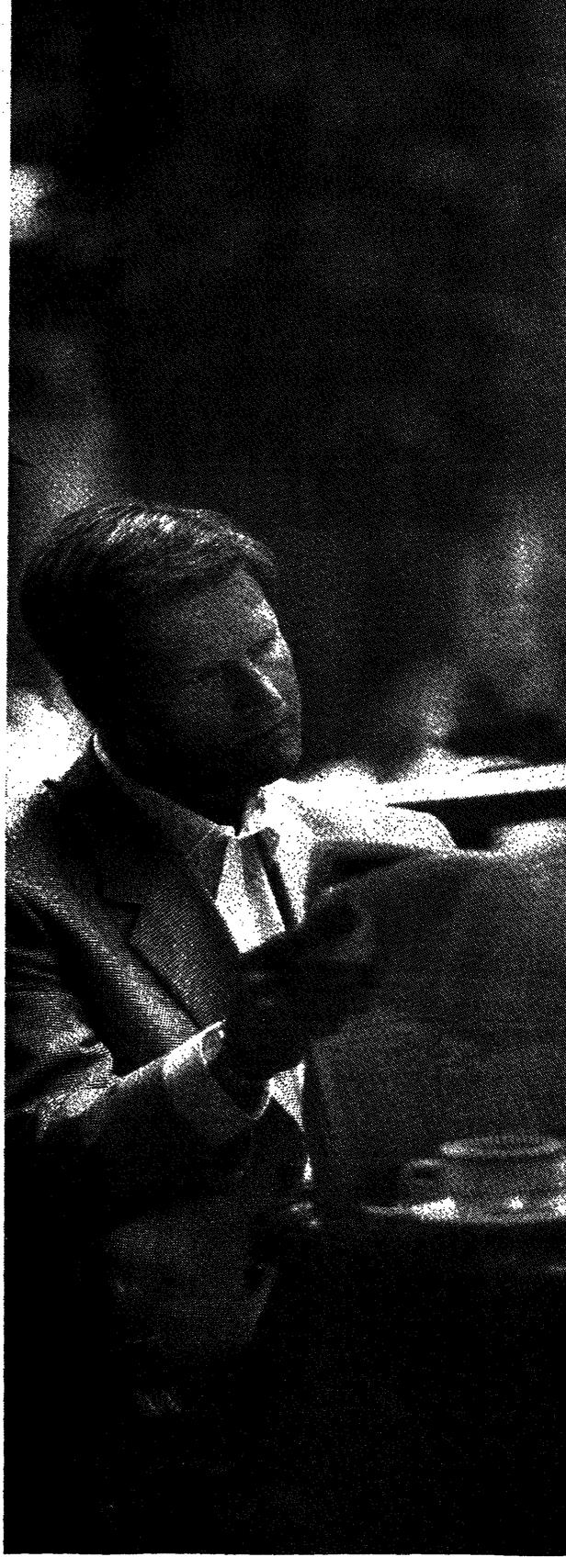
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SPORT / ARCHITECTURE

New university building sheds light on student endeavours

Airy space dominates Sir Norman Foster's design for Cambridge. By Colin Amery

ir Norman Foster's buildings are rather like trees: perfectly designed to look at and to work. You could plant one of them anywhere and in its quiet, pragmatic way it would put down roots and grow.

Like trees, Foster's buildings have a specific form, a simple fitness for purpose; nothing about them is unnecessary. Some of his trees grow tall and strong in Hong Kong and elsewhere in Asia. Some are of the spreading variety, such as Stansted airport, long, low and stretching to the flat east Anglian horizon. Others are sinuous enough to enable them to fit into tight urban situations such as the office for Willis Faber Dumas behind its curvaceous glass wall in Ipswich.

All of them are of a very pure strain; they cannot be hybridised. In Cambridge, Foster's new law faculty has just opened on the Sidgwick site, where it is neighbour to the famous history faculty building by the late Sir James Stirling.

Cambridge University held a limited competition in 1990 for this important commission: a building which is to be built in two phases,

criminology. The Sidwick Avenue sink part of the law faculty. What site is interesting because it is something of a period piece. It is the arts campus for the university. which was developed after 1950 to a plan drawn up by Sir Hugh Casson.

Casson had become well known for his work on the planning of the Festival of Britain site on the south bank of the Thames in London, and his Cambridge plan has echoes of that polite, friendly Modernism that is more than slightly Scandinavian in origin. His faculty blocks in Camare all raised up on legs (piloti) in a Corbusian way. Apart from this fashionable oddity, the Casson buildings have worn well and are enhanced by more recent additions by other architects.

The law faculty is one large pavilion, and Foster has decided to sepa-rate the institute of criminology and make it into a gateway building for the entire site by placing it on the axis with the university library. Neither Stirling not Foster

dent and raise their buildings up on legs. In fact, Stirling decided to sink half his history faculty into the

Foster's memorable glass and stone pavilion achieves is something more than an architectural statement. He has effectively adjusted the site levels to make a pedestrian space between his building and the existing ones that complements

The new law faculty is big - probably a reflection of the needs of one of the few expanding professions. It includes the Squire law library, five lecture theatres, seminar rooms. and faculty offices. Altogether, there are some 9,000 square metres of serviced space. Four floors are above ground, two below.

It is likely to be the most efficient and striking building that these budding lawyers are ever likely to work in. Ahead of them lies a life in fusty chambers and, when they get to court, some of the nastiest new buildings to blight our towns. They will even have to wear greasy wigs and gowns, and their glorious years in the Cambridge library will seem like a distant dream.

The triumphant feature of this new building is the library itself,

through the great glass north-facing wall. This curved northern façade is completely glazed, the glass being supported by a triangulated steel structure that arcs over a 40m span in a single grand volume. As you climb the stairs to the

part of the library where you are going to work, everything is flooded with light and gloriously visible. This has been criticised as being "un-library like", partly because there is some noise transmission. But having spent some depressing early undergraduate terms in gloomy law libraries, I thought that the place was marvellously light, refreshing and efficient.

However, critical judgments should not be based on subjective experience, and on its own architectural terms this faculty is intelli-gent, elegant and deceptively simple. What I love about Foster's buildings is their resolution. His practice, which believes in creative teamwork, re-examines the needs of the client and often clarifies them. The design solutions to the brief will undoubtedly include necessary

ful than any of them. The costs of the Cambridge law faculty are not particularly higher than those of other new university facilities. All significant new buildings offer the visitor a spatial and visual experience that they will not forget. The innovation and technological

because it re-examined the needs of

less than any other new air termi-

Stirling history faculty has its great glazed internal space. And the Fossaving energy. The practice has an unjust reputation for being expensive, but its airport at Stansted, ter law faculty has a memorable entrance, marked outside by a high pointed canopy. Inside you are greeted by a sense of sheer height an airport and simplified the buildings accordingly, cost 20 per cent and a dignified coolness. nal and is 100 per cent more beauti-

Everything is beautifully made and put together. The palette is restrained, allowing the natural light and green views to enhance the overall effect. There is a sense of control over the architect-designed furniture, the finishes and

virtue. Refinement is not easy to achieve but any struggle here does not show. Foster's practice is produ-cing by far the most refined and elegant architecture of our time. May all his millennium schemes prosper. Britain is remarkably fortunate to have the right man at the right time.

Its architectural integrity is as

measured as the statutes of the law,

and as demanding. That is its real

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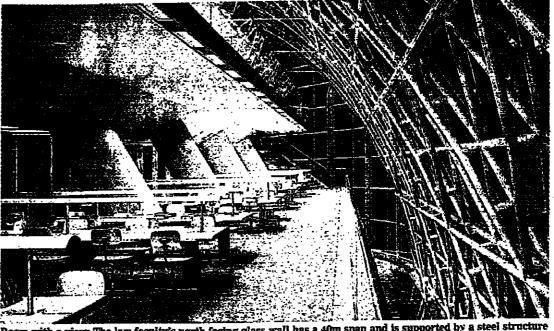
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• BBC1 will broadcast an Omnibus programme on the work of Sir Norman Foster tonight.



Room with a view: The law faculty's north-facing glass wall has a 40m span and is supported by a steel structure



KEITH WHEATLEY

eagerly awaited lists in British sport appears tomorrow. Not the birthday honours, nor the FA Cup draw, but the earnings table for those competitors able to earn over the

It is not an easy subject to research – even the Inland Revenue couldn't persuade jockey Lester Piggot to tell

Boxers still lords of the earnings league nobody turns over the ground more thoroughly than Peter earner for some time. Nichols more thoroughly than Peter

Nichols, publisher of The BBC Radio 5 Sports Yearbook. In pole position is Damon Hill with a haul of £3m. Nothing illustrates the volatility of motor racing better than the fact that Hill failed to make last year's list. Nigel Mansell, on the other hand, headed the previous table with £9m and does not figure at all this year. Boxing is easily the most

lucrative sport, accounting for six of the UK money league's 18 entries of £1m-plus. Despite Frank Bruno's victory in a version of the world title fight against Oliver McCall in September, he only made £2.45m and fourth place, compared with Chris Eubank - £2.75m Eubank, however, was on

the fag-end of a ludicrously generous 10-fight contract with Sky Television, whereas the lously talented 21-year-old in

has no doubt that after Bruno's rematch with Tyson next spring, Bruno will head the 1996 list and this year's wages will look like small change.

"Boxing's momentum is extraordinary. We've had one British fighter die in the ring and an American nearly dead - and it hasn't slowed the bandwagon one bit," says Nichols. "As long as boxing remains legal it's going to be extremely lucrative, and if it is ever banned, that won't be popular with the public." Even the obscure heavy-

weight Herbie Hide was able to make big bucks out of a single fight against Riddick Bowe. Bowe took the title, Hide walked off with £2m. The lowest placed boxer, Nasim Hamed, made £1.2m, but one

the top five next year.

A significant new trend is the debut of the footballer making more than £1m a year playing for a British club. David Platt of Inter-Milan was the best-paid British soccer player both last year and this, and holds fifth place on the new list at £2.4m. Platt has

also cost more in transfers,

Paul Gascoigne is now mak-

£22m, than any other player.

ing £1.6m at Rangers, with Alan Shearer on £1.4m at Blackburn and Andy Cole on £1.25m at Manchester United. "Football at the moment is the most extraordinary gravy train," says Nichols. "Because our list is British sportsmen, we haven't got entries for UKbased foreign players such as Bergkamp [Arsenal] and Juninho [Middlesborough], who are earning unbelievable

Nichols wonders whether

these financial levels are sustainable. Despite the generous satellite TV deal with the Premier League, and full stands on most match days, British soccer still relies to a large degree on hand-outs from football-mad tycoons. Will their hearts and pockets hold out for

Says Nichols: "You look at someone like Jack Walker pumping £60m into a club like Blackburn, with a turnover of £7m a year. You can't begin to call it an investment. Where's the return? You can't ever get your money back.

Golfer Nick Faldo, despite a poor season and domestic troubles, managed to earn £250,000 more this year than last, and finished in third place overall Two major factors distorted

the year-on-year comparison, however. First, Faldo's \$1m win in the Sun City tournament last year; second, his decision to play the US tour, where prize money for moder ate placings are much higher

than in Europe. More than half Faldo's earnings come from sponsorship and endorsements, with the likes of Pringle sweaters and Mizuno golf clubs. However, marketing managers are notoriously shy of sportsmen who gather bad personal publicity, and Faldo's separation from his wife and dalliance with a beautiful student half his age may damage his wallet.

Colin Montgomerie is the next golfer on the list - £1.75m and ninth place. He headed the money list on the 1995 European tour and has a blameless public profile, unless one counts a marked tendency to sulk when putts fail to drop. Winning the major that has thus far eluded him could see Monty shoot past Faldo in next Nichols says that sprinter Linford Christie's very public slanging matches with both the British Athletics Federation and the media have burt his image and marketability at least as much as have slower times on the track.

Last year Christie was the only track and field athlete on the list, with earnings of £1.1m. He fails to make this year's table and, according to Nichols, has lost several leading sponsors.

There are no jockeys this year, largely due to the retainer system going out of fashion with owners. Pat Eddery's deal with Khaled Abdullah put him in the £1m-ayear bracket, but that has ended and he has dropped off the list.

Nor, yet again, are there any women on the list. Although Laura Davies enjoyed another brilliant year on both sides of the Atlantic, the world's top woman golfer probably made less than £500,000 between October 1994 and October 1995.

Since relatively few women play golf, the equipment market and thus the endorsement values are far lower than in the men's game. Prize money on the women's tour is still a fraction of that available to Faldo, Torrance, Woosnam and Co, and corporate days in the far east at \$250,000 plus expenses simply aren't on offer. The chairman of some far eastern truck company might be honoured to be beaten seven and six by Nick Faldo, but he sure as hell doesn't want to be trounced in front of his top management

The advice from the FT sports career advice line is clear. Be a man, my son, as large as possible, and pull on those boxing gloves. The Radio 5 Live Sports Yearbook 1996, Oddball Publishing,

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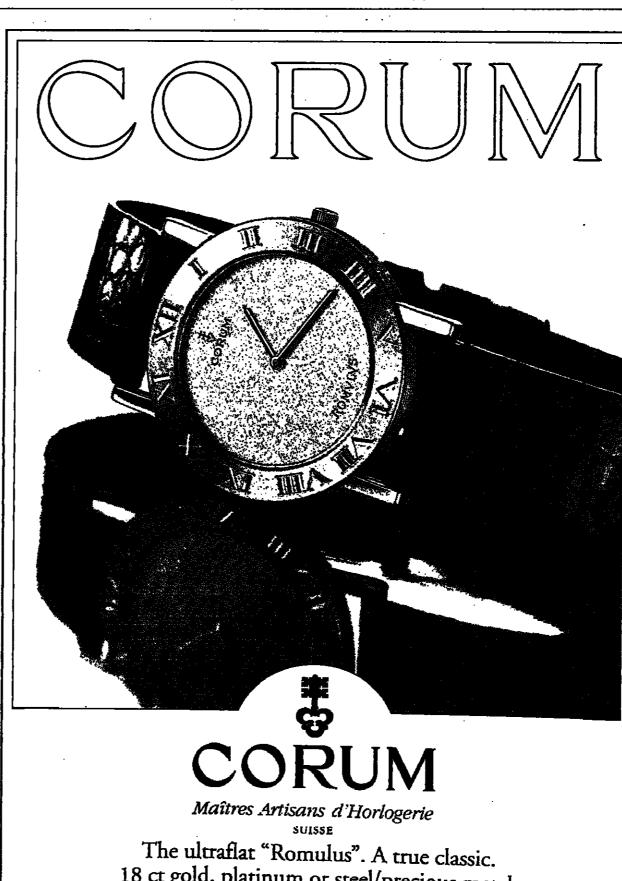
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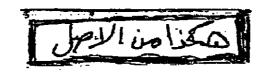
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David Hare, Jonathan Kent



The Royal Opera courts contro season with its first ever production of Landensin's operatio masterpiace, "Mathis der Maler", on Truraday. The opening, has been timed to mark the centerary to the day of the composer's birth, but lateration is more likely to be focuse on the contribution of the American producer Peter Se lescribed in the advance publicity as "conoclastic". Ese-ekko Salonan is the conductor and the cast includes inga and Alan Thus,

Swan Lake with a difference (and possibly a verigeance, the swan is a shap is on view at Sadier Wells Theetre, London, from Tuesday this week, as the dence trouge Adventures in Motion. Pictures plays its radical new staging Not we'd hazard, for traditionalists.

Richard Chambertain, best known as a film actor, makes his on Wednesday as Professor Higgins in "My Fair Lady". Frederick Loewe's

popular musical is OF REGISERS OF Gennen audiend who usually hear It tongue. This two teek run at the Schiller Theater is performed in the original English. with Meg Tolkn as

The young Picesso first exhibited his paintings in ebruary 1900 at a Barcelor tavern. Els Quatre Gats, This period of his life is evoked in a row, opening at the Museu

The 1995-6 Communale opens on Saturday with a rare Italian showing of

museum has put together a major a production survey of 20th century American art, with works by conducted by Edward Hopper Gary Bertini and staged expressionist and Decker. The Pop art, and paintings by Robert CBSt. IS heeded by Barry, It opens on till the end of January.

the Stedelik was

European museum to take an interest in

art. Now celebrating

postwer American

its centenary, the

King of tenors lets his crown slip at the Met

Andrew Clark, reporting on the New York music scene, asks what Pavarotti is trying to prove

t is no easier for top tenors to age gracefully than it is for the rest of us. Carlo Bergonzi and Alfredo Kraus have managed it, but they are the exception. Whether Luciano Pavarotti could do so was the question lurking behind his performance at the Metropolitan Opera last weekend, when he returned to the role of Tonio in Donizetti's La fille du régiment after a gap of 22 years.

This was the role which earned him the title of "King of the high Cs", because of his ability to toss off the nine high Cs in Tonio's aria at the end of Act 1. Pavarotti has one of the best vocal techniques in the business, but to submit himself to such a test at the age of 60 was tempting fate.

Although he hit all the notes, it was more of a struggle than it was worth. He looked nervous and distracted, like an overgrown schoolboy trying to memorise his lines. When his aria finally came, the high Cs creaked and cracked: the strain was audible, as if the voice were being frenetically pushed beyond its limit. The applause was dutiful. In Milan they would have

What was Pavarotti trying to prove? It may have been a personal challenge, but no one wants to remember him precariously holding on to his past. We know he is the real megastar, even when the Three Tenors make happy harmony. The only tenor who will knock Pavarotti off his perch is Pavarotti himself. He cannot defy the inevitable: ageing tenors have their limita-

With the exception of Pavarotti and a new production of Tchnikovsky's Pique Dame, the New York music season has so far been notabic only for what happened offstage. At a New York Philbarmonic con-cert to mark the 50th anniversary of the United Nations, Yasser Arafat was expelled from the auditorium after the scherzo of Beethoven's Ninth Symphony, because the New York mayor said he had not been invited. So much for the brotherhand of man.

At another Philharmonic concert, the audience slow-clapped while pay negotiations continued backstage, overshooting the orchestra's strike deadline and delaying the start of the concert. Although the dispute was resolved, the wounds have yet to heal. The new contract sets a minimum salary of \$81,120 (£51,600), with nine weeks' paid holiday, a generous health and pensions package, extra money for recordings and no restrictions on second jobs. The New York Philharmonic is now the world's highest paid orchestra.

At Carnegie Hall, where the Boston and BBC Symphony Orchestras have been the principal visitors, the performance under the stage has stolen the show. During the summer, while warps in the stage-floor were repaired, an undocumented layer of concrete was found underneath. Its discovery and removal have rekindled the thorny debate about the hall's acoustics. Was the concrete there before the 1986 renovation? If not, could it explain why the hall sounded more strident after the renovation? New York critics have been reluctant to make dog-

The strain was audible, as if the voice were being frenetically pushed beyond its limit. In Milan they would have booed

matic pronouncements about the "new" sound. The consensus is that yes, it seems to resonate more, with an unusually solid bass - but not enough to restore the sound to its

Even at the Met and New York City Opera music has been forced to take a back seat. When the conductor Christopher Keene died last month at the age of 48, a part of City Opera went with him. In the words of The New York Times, "the cards dealt him when he took over the job of general director in 1989 were for the most part losing ones, but how cheerfully and gracefully he bluffed and sometimes won". His legacy is a courageous calendar of operas that no one else wanted to do - this sesson includes three US premieres - and a stock of repertory productions. But the company is crippled by a badly situated theatre, a mediocre orchestra and lack of money. Small wonder nobody ley, Matthew Epstein, Gerard Schwarz and Francesca Zambello have all been canvassed.

The talking point at the Met has been Met Titles, the company's copyright name for its new \$2.7m simultaneous translation system. In spite of James Levine's warning that surtitles would be introduced "over my dead body", Met audiences can now follow an English text on individual screens mounted on a bar at the back of each seat. The screen accommodates two lines of computerised text, an on-off switch and a filter limiting visibility from either side. Although you can still see screens in the rows in front, it is easy to forget about the titles and focus on the performance. No texts flashing over the proscenium, no cricked necks.

So after a century of hearing the great operas sung in incomprehensible languages, are New York andiences any the wiser? Opponents argue that the onstage integration of music, text and action is complex enough without the distraction of constantly having to read a crib sheet. And before titles were introduced, even the Met's audiences knew when to laugh. The value of Met Titles is that everyone has a choice, the cueing is perfect and the translations read well. They make conventional titles look

I suspect most of the audience gianced at their titles at some point in Pique Dame, Even so, Tchaikovsky lays bare the emotions in a way that transcends line-by-line comprehension. It was good to encounter this difficult masterpiece in a big theatre, and to hear the music interpreted with numistakable authority by Valery Gergiev - so sweeping in its turbulence, so precise in its

quiet rapture. Elijah Moshinsky's staging was superficially impressive, thanks to Mark Thompson's handsome period costumes and a dark stage-frame which served for indoor and outdoor scenes. But it never developed beyond decorative patchwork. What was the point of the stylised behaviour of the chorus? Why did the Countess's ghost have to smash her way through the stage floor? Gratuitous touches such as these suggested that at heart, Moshinsky had nothing to say. He moved his characters thoughtfully but avoided the central themes of fantasy and



The dramatic impact might have been stronger if Ben Heppner had made a convincing Hermann. The voice is right, but he bumbled and stooned like an overweight Faust. and his relationship with Karita Mattila's charismatic Lisa was never established. Dmitri Hvorostovsky rescued his operatic reputa-tion with a dignified Yeletsky. As the Countess, Leonie Rysanek - in her Met farewell - made the most of the limited hand Moshinsky gave

Listening to Pique Dame and Carmen on consecutive nights was a reminder that the latter was Tchaikovsky's favourite opera: love-fixation, fateful card-playing and a boys' soldier-chorus play a part in both. A revival of Peter Hall's 1986 staging of Carmen, now reduced to grand operatic functionalism, found Sally Burgess making a subdued Met debut. She is a lovely singer, with musicality high among her gifts, but her performance lacked temperament, sexuality, vocal

allure. Carmen is not a sweet English rose, and that, I'm afraid, is

Another British mezzo, Sarah Walker, made an embarrassing caricature of the Marchioness in La fille du régiment - in stark contrast to Micbel Trempont's witty Sulpice and June Anderson's sparky, spunky Marie. For all her Sutherland-esque mannerisms, Anderson sang flawlessly and she had a sense of humour. How could Pavarotti

Theatre Strange Passenger

iscussions of Holocaust vague feeling of impropri-ety, as if the subject matter placed the plain question beyond criticism. However, there is more to the genre than ideological and moral button-pressing. Sonja Lyndon's The Strange Passenger, presented by Paines Plough, attempts to circumvent the monochrome cliches of the topic, and takes her play on a circuitous metaphysical route which arrives back close to that starting point.

Her subject is the detention of Czech composer Viktor Ullmann (Andrew Normington) in Theresienstadt, which combined the horrors of a KZ (konzentration slager) with the bizarrerie of a Nazi propaganda facade: a "settlement" in which, while assigned to brutal work details and given the inadequate rations of other camps, the Jewish detainees were encouraged to engage in a rich cultural programme of lectures and concerts. In such a climate, Ulimann overcame the artistic block which bad led him to spend the previous three years working for the Rudolf Steiner movement, and composed his opera The Emperor of Atlantis.

Lyndon's Viktor finds himself torn between opposing principles, primarily expressed in the conflict between Heinrich the idealistic champion of art for art's sake and the cynical materialist Heino (both played by Peter Hamilton Dyer). But although Heino is openly mate rialistic, he may not in fact be material: certainly his opposite number Heinrich seems to be a figment of Ullmann's imagination. These two are, Lyndon explains, personifications of the spirits of Luciter and Ahriman from Steiner's Anthroposophical writings, representing the forces of escapism and of this world respectively.

This cosmic dualism is mirrored in Viktor's personal dealings in the camp with his infuriated but realistic second wife Annie and her selfobsessed successor Elli. The end result is a theological fable in which Ullmann's historical existence is overshadowed by his mystical status as an Everyman who happens to be a composer in a concentration camp, and those around him take on the quality of abstract functions rather than people. Director Penny Ciniewicz chooses

not to play up the metaphysics of the work. Lyndon has made a considered attempt to move away from the usual run of KZ drama, but this treatment both leads her inexorably back to the central dualities and has the effect of interposing a cerebral veil in front of the deformed reality of Theresienstadt.

Ian Shuttleworth

At BAC, London SW11, until December 2 (0171-223 2223).

INTERNATIONAL

AMSTERDAM

AUCTION

CONCERT

Sothebys Amsterdam Tel: 31-20-5502200 Old Master Paintings: highlight of the auction will be a painting by Pieter Lastman, the teacher of Rembrandt; auction: 10.30am &

Concertgebouw Tel: 31-20-5730573 Istvån Parkanyi and Willem Brons: the violinist and pranist perform works by Schubert and Beethoven; 8.15pm; Nov 14 Nederlands Philharmonisch
Orkest: with conductor Hartmut Haenchen performs Mahler's "Symphony No.9"; 8.15pm; Nov 15, 19

BERLIN

CONCERT Konzerthaus Tel: 49-30-203092100/01 National Orchestra of Denmark:

with conductor Ulf Schirmer and pianist Leif Ove Andsnes perform works by Abrahamsen and Beethoven; 8pm; Nov 14

wants the job - though David Gock-

OPERA Deutsche Oper Berlin Tel: 49-30-3438401 Aida: by Verdi. Conducted by Maurizio Barbacini and performed by the Deutsche Oper Berlin. Soloists include lidiko Szönyi, Julia Varady, Vladimir Bogachov and Reinhard Hagen; 7.30pm; Nov 14 Komische Oper Tel: 49-30-202600 Giulio Cesare in Egitto: by Handel. Conducted by Charles Farncombe and performed by the Nov 14

■ CHICAGO

Civic Opera House Tel: 1-312-332-2244 Chénier: by Giordano, Conducted by Bruno Bartoletti and performed by the Lyric Opera of Chicago. Soloists include Kristian Johannson and Sergei Lelferkus; 7.30pm; Nov 15, 18, 21, 26 (2pm)

COPENHAGEN

DANCE Det Kongelige Tester Tel: 45-33 14 10 02 · Royal Danish Ballet: performs four choreographies by Peter Martins, director of the New York City Bellet. The works are "Ash", "Berber Violin Concerto", "Zakouski" and "Fearful Symmetries"; Spm; Nov

EXHIBITION

Nationalmuseet Tel: 45-33 13 44 11 Asger Jorn and 10,000 years of Nordic Folk Art: Nordic art from the early hunting period, through the Bronze, Iron and Viking Ages are seen through the eyes of the Danish Cobra painter Asger Jorn (1914-1973). The exhibition is based on Jom's extensive writings and on over 20,000 photos taken by the French photographer Franceschi at Jom's request; Nov 15 to Feb 7

■ FLORENCE

OPERA Teatro Comunale Tel: 39-55-211158 Macbeth: by Verdi. Conducted by James Conion and performed by the Orchestra e Coro del Maggio Musicale Florentino. Soloists include Alexandru Agache, Dmari Kavrakos, Deborah Voigt (Nov 14, 16) and Barbara De Maio (Nov 18); 8.30pm; Nov 14, 16, 18

■ GENEVA

THEATRE Grand Casino Tel: 41-22-7319811 L'Ecole des Fernmes: by Molière Directed by Robert Manuel. With Michel Galabru; 8.30pm; Nov 14, 15, 16

LONDON

ART & ANTIQUE FAIR Olympia Tel: 44-171-3708186 ● The Fine Art and Antiques Fair: with furniture, watercolours, oils and old master drawings, prints and

maps, porcelain, ceramics and glass, textiles, statuary and classical ornaments, snuff and music boxes, Chinese and Japanese art and curiosities, clocks and barometers, Art Deco and Art Nouveau; from Nov

AUCTION Christies South Kensington Tel: 44-171-5817611 Clarice Cliff: auction entirely devoted to the work of this British artist (1899-1972), known for the creation of colourful hand painted pottery. Highlighting the sale is a rare plate from Cliff's "Applique range", decorated with the variegated, floral Eden pattern: 10,30am & 2pm;

15 to Nov 21

CONCERT Royal Festival Hall Tel: 44-171-9604242 BBC Symphony Orchestra: with conductor Manfred Honeck, soprano Barbara Bonney and baritone Matthias Gome perform Webern's "Im Sommerwind", songs from Mahler's "Des Knaben Wunderhorn" and Tchaikovsky's "Symphony

No.5"; 7.30pm;

Nov 15 St. Paul's Cathedral Tel: 44-171-638 8891 (Barbican Box Yehudi Menuhin conducts in the sence of HRH The Prince Phillip,

Duke of Edinburgh: performance of Bloch's "Sacred Service". Also performed are Singer's "Psalms for Today" (world première), conducted by Andrew Millinger, Mendelssohn's "Magnificat" and psalm settings by Stewart, Brahms and Horovitz, conducted by

John Scott; 7pm; Nov 14

OPERA London Coliseum Tel: 44-171-8360111 Carmen: by Bizet. Conducted by Michael Lloyd and performed by the English National Opera. Soloists include Louise Winter, Robert Brubaker and Cathryn Pope;

POP MUSIC Wembley Stadium, Arena Tel: 44-181-900 1234 ● David Bowie: guest Morrissey; 7.30pm; Nov 14, 15, 17, 18

NEW YORK

EXHIBITION The Frick Collection Tel: 1-212-288-0700 The Butterfly and The Bat, Whistler and Robert de Montesquiou: exhibition devoted to James McNeill Whistler's portrait *Arrangement in Black and Gold: Comte Robert de

Montesquiou-Fezensac", painted in 1891-92. Included will be paintings, drawings, prints, sculpture, photographs, decorative art objects, books, period clothing, and

These items, many of which belonged to Whistler or Montesquiou, will serve to document the history of this portrait; from Nov 14 to Jan 28

JAZZ & BLUES Blue Note Tel: 1-212-475-8692 Herbie Hancock Trio: featuring Dave Holland and Gene Jackson; 9pm & 11.30pm;

Nov 14, 15, 16, 17, 18, 19

THEATRE **Brooklyn Academy of Music** Majestic Theater Tel: 1-718-636-4100

 Chinoiserie: play by Michael Mathews on music by Guy Kluceviek. Featuring Ping Chong; 8pm; Nov 14 (7pm), 15, 16,

PARIS

CONCERT alle Pleyet Tel: 33-1 45 61 53 00 Orchestre de Paris: with conductor Sir Georg Solti, soprano Julia Varady and bass Laszlo Polgar perform Bartók's "Music for Strings, Percussion and Celesta" and "Duke Bluebeard's Castle"; 8.30pm; Nov

OPERA Opéra Bastille Tel: 33-1 44 73 13 99

 Eugene Onegin: by Tchaikovsky.
 Conducted by Alexander Anissimov and performed by the Opéra National de Paris. Soloists include Gerlinde Lorenz, Solveig Kringelborn and Randi Stene; 7.30pm; Nov 14,

■ WASHINGTON

Opera House Tel: 1-202-416-7800 Luisa Miller: by Verdi. Conducted by Richard Buckley and performed by the Washington Opera. Soloists include Veronica Villaroei and Lando Bartolini; 8pm; Nov 14, 17, 20 (7pm). 25 (7pm)

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Pensions fraud

The longer privatisation is delayed, the harder the eventual adjustment and the greater the penalty paid

Politicians around the world share a guilty secret: they are they are siphoned off by other defrauding young workers of arms of government and used large sums by forcing them to to finance current expendicontribute to public sector pension schemes.

The trust fund has no assets In the US employees (and other than a collection of IOUs their employers) are made to pay social security taxes at a from the government to itself. These can be honoured only combined rate of about 12 per by raising taxes or cutting cent. However, the pension spending. As the chart shows. that young workers can the scale of adjustment expect to receive from the fedrequired after 2013 dwarfs eral government is likely to today's budgetary challenges. fall far short of what could be The solution is for the US earned if the same sums were government to admit that

invested in private capital social security was a terrible markets. mistake – and privatise it. In a recent paper for the Cato Institute, a Washington think-tank, Mr William Ship-Public sector pensions are supposedly based on an intergenerational "social compact". The idea is that today's workman estimates that people born in 1970 would get up to ers pay the pensions of today's retirees and receive their pensix times the benefits they are scheduled to receive under sions in turn from tomorrow's present rules if they were workers. allowed to invest their social But such compacts are entirely fraudulent. There is security taxes in corporate no sense in which workers yet equities. And this makes the

to be born can be said to have agreed to pay whatever level heroic assumption that future governments will not scale of taxes are necessary to fund the pensions that today's poliback promised social security benefits – for example by taxing them more heavily or ticians have promised today's raising the retirement age.
Yet they probably will. workers. Indeed they are highly unlikely to fulfil the Social security is as unstable as a chain letter. Those who joined early did very nicely. promises made on their behalf A more rational approach is They received benefits far in excess of their contributions for individuals to take respon-

sibility for their own retirebecause a small retired popument by investing a portion of lation was supported by a their earnings in shares and steadily growing pool of bonds. Individuals' pensions In 1950 there were 16 work-Social security revenues ers paying social security taxes for every retiree draw-

% of earnings subject to social security cont

scheme is maturing the arithmetic looks horrible. The number of workers per retiree has fallen to just over three, by 2030 there will be less than Politicians talk confidently most other countries, the US

ing benefits. But now the

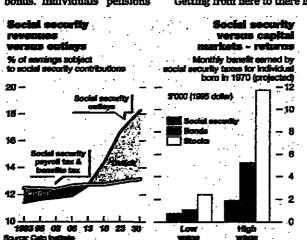
of "trust fund" surpluses. But this is hollow rhetoric. Like runs a "pay-as you-go" system. Because baby-boomers are still working, it is raising more in social security taxes than it needs to pay the pensions of today's retirees. But fraction of income they choose to save, the skill with which they invest, and the general performance of financial markets. Since asset returns are highly correlated with economic growth over long periods, the average pensions earned by each generation would depend largely on their own productive

When workers retire they would enjoy a clear legal right to the financial assets they have accumulated. This would not offer perfect security -that is not possible - but it would be preferable to vague assurances from politicians that future pension commitments will be met -

The most important argument for privatising pensions is arguably ethical: to ensure that workers get the pensions they deserve on the basis of their own efforts and investment decisions. But the abolition of unfunded public sector schemes would also offer large economic benefits.

In a study for the National Bureau of Economic Research, Professor Laurence Kotlikoff of Boston University argues that privatisation would lead to higher saving and consequently, "major long-run increases in output and living

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the surpluses are not invested; would then depend on the less difficult than it looks. The crucial first step is to abolish social security taxes and require employees and employers to invest the equivalent monies in a basket of financial assets. To ensure that everyone gets a minimum basic pension, people should be required to invest a minimum proportion of the cash in safe assets. But beyond that they should be free to invest as they see fit. And they should be allowed to retire whenever they want - pro-vided they have accumulated sufficient assets to finance the minimum pension.

But what about the social security rights that workers have already accrued? The best solution, adopted by Chile when it privatised its public pension scheme in 1981, would be to issue "recognition bonds". Individuals would be given bonds maturing at their expected retirement date equivalent to the actuarial value of their accrued pension benefits. If government reckons the benefits already promised cannot be honoured, it could offer bonds worth some fraction of previously promised benefits.

how to replace the revenue lost when social security taxes are abolished. Government, after all, must still honour its commitments to existing retirees. The answer is through a combination of new borrowing, spending cuts and consumption taxes - which would shift some of the burden on to the elderly who have already benefited so much from public

This leaves one large snag:

It may seem ironic that abolishing social security could necessitate a temporary increase in public borrowing. Yet that is a price worth pay ing to eliminate the much larger implicit liabilities associated with today's unfunded public scheme. But remember. the longer privatisation is delayed, the harder the even tual adjustment and the greater the penalty paid by today's young workers.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to :44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@fl.com Translation may be available for letters written in the main international languages.

Elements of Blair approach to business welcome

Sir, Philip Stephens seems to have got his chickens and eggs mixed up with regard to Labour leader Tony Blair's new found friends in British boardrooms ("Lost voice of business". November 10). Mr Blair has been accommodated their recognition that, barring a big upset, the Labour party will be in power in the not so distant future.

The Labour party's position on Europe is a secondary, but none the less important,

consideration in the developing relationship between Mr Blair and those at the help of British This position is still in its

infancy, but, disregarding the overrated fear of the Social Chapter, certain elements of this policy should be welcomed. Mr Blair's self-conscious pro-Europeanism, mixed with an element of caution, is a credible and pragmatic

approach to developing British interests within the European Union. A comparison with

defence secretary Mr Malcolm Rifkind's national interest test indicates the potential parity of the two main parties' stance on Europe. Where the present government has fallen down is that the national interest test has been applied at a broad political level. This is

perceived as too confrontational in the consensus-minded capital of its EU partners. Nevertheless, it is undeniable that Mr Rifkind's test is a necessary tool in certain circumstances, for example behind the closed

doors of the Council of Ministers.

Mr Blair's approach seems more in tune with the other EU member states. It should however, be borne in mind that occasionally, even frequently, an element of caution may not suffice to protect vital national interests. Mr Blair still needs to reassure both business and the electorate his caution will be sufficient.

Andrew Cecil. 34 rue d'Alsace-Lorraine, 1050 Brussels, Belgium

E-money threat to cash

From Mr Giles Keating. Sir. Prof Alec Chrystal (Letters. November 8), commenting on my Personal View (November 2), argues that because cash is unimportant, its replacement by smartcards will have little impact. However, cash is virtually the only type of money issued by government (in the UK, more than 99 per cent). If a government caunot issue cash because e-money facilitates the use of another country's currency for domestic transactions, it will lose virtually all its seignorage. The government would have to issue some £23bn extra gilts and then pay about £2bn every year in extra interest.

Moreover, cash circulates much more quickly than bank deposits (it has a high velocity-adjusted weight). Cash

was used for almost 15bn retail transactions in the UK in 1993, versus less than 4bn for all other methods. So the currency in which retail transactions are priced is in practice determined by the denomination of cash. E-money would threaten this dominance, allowing people to stop using domestic currency completely (other than for

paying taxes). The importance of e-money replacing cash is greater than possible effects on exchange rates. Rather, it might make certain currencies to all intents and purposes disappear.

Giles Keating, head of global economics, CS First Boston, One Cabot Square, London E14 4QJ,

Consensus of centre-left

From Mr Pete Ruhemann.
Sir, LINC (Labour Initiative
on Co-operation) wants to help build a radical consensus for change on the centre-left. The Liberal Democrats' suggested Queen's Speech shows the extent to which that consensus already exists.

As our recently published comparison of Labour and LibDem policy papers, What's the Beef?, shows, there is wide agreement between the two parties on democratic change. education and training, housing, public sector investment and transport, all of which figure in Liberal Democrat leader Mr Paddy Ashdown's package, as well as on many other issues.

The analysis, based on 23 Labour and 10 LibDem documents shows "many of their principles and premises their proposals are essentially the same" and concludes that if the general election produces a hung parliament it should be possible for Labour leader Tony Blair and Paddy Ashdown to agree a Queen's

are the same and very many of

Both parties, and the British electorate as a whole, should take comfort from the fact that the two independent policy processes have produced such a wide consensus. This stokes up the political heat on the Tories and increases the chances of the first non-Tory government since 1979 being successful in the great task of revitalising the UK.

Pete Rubemann. director, LINC. 66 Brooksby Road. Reading, Berkshire, UK

Quality improvement, not education, is required formula

From Mr David Jenkins. Sir, Your article " Poor leadership' in car parts sector" (November 8) on a UK Department of Trade and Industry-sponsored report makes interesting reading. However, its authors' central conclusion and recommendation are too superficial for it to make the

moact that the subject merits. British managers again are berated for lack of leadership skills - a historic fault to be

remedied by education. In reality this bland prescription lets manufacturing businesses off the book.

The report makes it clear that dramatic improvements in quality are needed. In fact there is a fairly straightforward formula for achieving this aim. You have to organise into natural teams the people who make the product, give them a clear specification of what is required, and then give them

the power to determine how best to match it. This means that managers have to hand over many of the tasks that have traditionally been their preserve, leaving them to focus on the one key function they cannot divest: ensuring a

uniform standard in what is manufactured. This prompts the obvious question: if the solution is that simple why has it not been more widely applied? You do not have to look far for the

answer. The programme has far-reaching effects on the function and role of many managers. Few are immune. If by identifying shortcomings in leadership the report's prognosis is a lack of will on the part of senior managers to make the structural changes that better quality requires. then its findings are sound.

David Jenkins. **TEK Associates** 9 Middle Way, Oxford, UK

Many east Germans are glad of freedom unification gave them

From Mr Ernest Gobert. Even a year after unification old Stasi HQ. And then there was enough to explain to me Sir, With regard to the article, "The Wessis don't want to know" (November 4), your correspondent in Germany. Judy Dempsey, seems singularly unlucky in her choice of the people she

interviews. Before its unification, I was a frequent visitor as chairman of a British company to many parts of West Germany. In December 1990, I was asked to lecture at a technical seminar at Suhl, a spa of some 55,000 inhabitants not far from Weimar and in the heart of what was East Germany.

I was appalled by what I saw. Time had stood still there for more than 50 years. Conditions were not primitive, they were urimeval

I was exceptionally lucky not to be asked to share my tiny decaying hotel room at some Berghotel in the Thüringer Wald with a complete stranger. Phoning my wife in England proved to be an undertaking of Wagnerian proportions and I often did not succeed.

My West German companion bought diesel (laced with debilitating water) at the only petrol station, not far from the

were the Brabants. Stinking, pathetic and obtainable only after a 16-year wait. No wonder many East Germans killed themselves around that time in modern West German cars.

They were not used to driving at speeds above 50 kph. While I did see the large swaths of forest which had been destroyed along the border between east and west

to prevent East Germans from escaping, I did not see the polluted lakes (a problem to this day), nor the many other leftovers of the communist paradise. But what I did see

the reason why people want to be free. I accept that suddenly to be

dragged from the 1930s to the 1990s may have been for some a traumatic experience. But why did Judy Dempsey not interview the many east Germans who were glad to be free and to have become a member of the family of modern nations, warts and all?

Ernest G. Gobert 3 Beechwood Drive, Marlow, Bucks SL7 2DH,

Personal View • Michael Holman

Commonwealth challenge

In return for debt relief, Nigeria must do more than start a programme of economic reform



international affairs has a gauntlet been thrown down so arrogantly by a challenger seemingly so vulnerable to retalization.

But there may have been method in the Nigerian regime's seemingly inexplicable decision to execute community activist Ken Saro-Wiwa and eight others on the very day the Commonwealth summit opened in Auckland, ignor-ing their appeals and leaving delegates stunned and out-

General Sani Abacha, as ruthless a military leader as Nigeria has produced, holds the fate of Nigeria in his hands, as much a hostage to his power as the men he so callously hanged. If I can do this, his gesture

seemed to say, in defiance of pleas from Nelson Mandela, beware what I could do to Nigeria if you forced my hand. Whether events would have

turned out differently had General Abacha and his regime been treated less tolerantly by Britain and other key partners when he took power two years ago is impossible to say. But the signals he received from London at least have been

members of the regime has main export.

often been breached. Instead it should have been strengthened by including civilian ministers who have been free to come and go, not to mention being invited to a Foreign Office reception to mark a Nigeria investment conference in Lonin don last month.

However, whatever shortcomings there may have been in British policy. Mr John Major, the British prime minister, can have left General Abacha in no doubt about his repugnance for a regime he accused of "judicial murder". And he and other Common-wealth leaders drew up for the first time the framework under which they can try to ensure that member states meet the principles set out in Harare and if necessary introduce graduated forms of pressure beginning with suspension of errant states and ending in

sanctions. Yet vulnerable though Nigeria is to an oil embargo, which if properly applied and policed could cripple it in months, it is not necessarily the best or safest way of returning a country in the hands of a man like General Abacha to democracy.

Thirty-five years of mismanagement since independence in 1960 have taken a dreadful toll and sanctions could induce a trauma Nigeria might not sur-

Its civil institutions are so

weakened by neglect and cor-ruption, that the country has lost the capacity to manage its own recovery, or be trusted with the receipts from the 1.4m A ban on visas for military barrels of oil a day that are its



Executed: Ken Saro-Wiwa

Without external assistance of a nature and scale that would be without precedent, the crisis in Africa's most populous nation will deepen with profound consequences. So while sanctions should be

kept as an option, there may yet be a role for the Commonwealth in finding an alternative. No policy will succeed, no external assistance is possible, however, until the gravity of the crisis encourages Nigeria's civilian leaders to bury their differences and set aside personal ambitions.

Reconciling Nigeria's politicians, and convincing them to pool their talents will be no easy task. But the first step the Commonwealth can take is to offer to convene an externally located conference under a Commonwealth chairman, which brings civilians and soldiers together.

But more than politics has to be on the agenda if it is to win the support of politicians and

While keeping the sanctions stick in the background, a big carrot will be more effective The most enticing carrot would be substantial and rapidly delivered relief on an external debt approaching \$40bn.
The Commonwealth should

be in the forefront of efforts to convince creditors that a radical review is needed if Africa's second largest economy is ever 👃 to recover.

In return for rapid, phased, but substantial debt relief Nigeria must do more than implement an economic reform program. it must allow on the spot

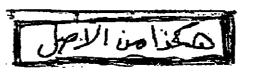
monitoring of key ministries oil, finance, and central bank, And however distasteful the prospect, the army must be party to the process. A demobilisation fund, draw-

ing oil receipts which are currently diverted into army pockets, should be used to win the soldiers support for Commonwealth monitored elections. The army will only co-oper-

ate if there is a well-funded programme with several objectives: to help reduce the size of the army by retraining those who want to leave; improve living quarters; and above all, provide golden handshakes to officers who want to leave, and provide retirement gratuities for those who stay.

Its faults notwithstanding. the Commonwealth is well equipped to play the role of convener and honest broker.

There is just one thing missing: the passion and the few your that the Commonwealth brought to its campaign to end apartheid. Ken Saro-Wiwa's death should help rekindle it.



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Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday November 13 1995

Allies in disarray

Even the most loyal Nato officials can no longer pretend, after the The US found Mr Claes easy to can no longer pretend, after the collapse of Rund Lubbers's candidacy for the secretary-generalship, that all is for the best in the best of all possible alliances. His rejection by the US is a serious blow to trans-Atlantic co-operation. Urgent efforts must now be made to secure a replacement acceptable to both sides.

The identity of the secretarygeneral ought no doubt to be a secondary matter. Nato is primarily a military organisation, run by military commanders. Its political direction comes from the 16 governments of the member states, represented in the North Atlantic Council. Still, the secretary-general has to foresee and if possible defuse problems among the allies, remind them of commitments they have made to each other, and ensure that alliance interests are kept in mind when national priorities are set.

proud

Dutch

Manfred Worner, the last secretary-general but one, helped define the alliance's changing role after the cold war. That task is far from complete, as Nato prepares to implement a possible peace agreement in Bosnia, and to decide which central European countries it should admit as new members of the alliance. So there was no excuse, once it was clear that Willy Claes would have to relinquish his post, for member governments to approach the choice of his successor with any-

thing but the utmost care. Over the last year or two, thousands of words have been uttered by political leaders about the importance of strengthening trans-Atlantic ties and improving channels of communication, lo the EU, the Spanish government has made this the main theme of its presidency.

Channels failed

But desirable as such channels may be, they will only be useful if the governments concerned actually use them. Those governments that belong to Nato already have all the channels they could possibly want, both bilateral and multilateral, and they never cease proclaiming their desire to work together. Yet when it came to such a central task as choosing a new secretary-general these chantinued support.

work with, partly no doubt because his troubles at home ensured that he kept his head down. US officials did nothing to prepare for his eminently foreseeable departure. They gave the impression that it was for the alliance's European members to choose the next holder of this post

traditionally held by a European. Then, when the Europeans agreed on someone who appeared highly eligible - the experienced and respected former prime minister of a country with impeccable Atlanticist credentials - the US effectively vetoed him. The Europeans understandably feel hurt by this, but cannot avoid their share of the blame. It seems amazing that the UK, in particular, should have given public support to a candidate without first making sure he was acceptable to the US.

Bruising wrangles

Mr Lubbers was faulted for not being "up to speed" on Bosnia. That defect would no doubt have been quickly remedied had he won the job. But the accusation shows how much Bosnia has already damaged the alliance. Not long ago US officials would have assumed almost automatically that a candidate good enough for the UK would be good enough for them. But the endless bruising wrangles over Bosnia have left them deeply suspicious, especially when Britain and France have agreed a common position.

However irritating they may find the US's performance, Nato's European members have to accept that the central purpose of the alliance is to sustain the US commitment to their security. No sec-retary-general will be the slightest use unless he (or she) enjoys American confidence. It is tempting to think the problem could be solved by giving the job, for the first time, to an American - but, given the sharp divisions within the US, that could easily be coun terproductive. The search must be renewed for someone who can credibly represent Europe in assuring Americans of its continued commitment to the alliance and reminding them why Europe both needs and deserves their con-

The backlash on governance

One of the more surprising balance from accountability to features of the Cadbury committee's report on corporate governance was that its publication met with a relatively muted backlash from British business. It looks increasingly as if Sir Richard Greenbury's report on directors' remuneration will prompt a more robust response. Because of the row it provoked in July over the taxation of share options, the report's central recommendations failed to attract the attention they deserved. They are tougher than expected. And the cumulative impact, on top of Cadbury, is such that hostility is building up over the direction taken by the corpo-

rate governance bandwaggon. Last week Mr lan Lang, trade and industry secretary, welcomed the support which Greenbury had received since publication. He is apparently deaf to the onslaught of Lord Young, chairman of Cable & Wireless, who recently declared that Cadbury and Greenbury were more damaging to British industry than the social chapter of the Maastricht treaty. Others have complained, in less contentious terms and with more justice, that the governance agenda has become too narrowly preoccupied with restrictive codes at the capeuse of enhanced performance.

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Some question the need for a successor to the Cadbury committee at all; and those charged with finding a chairman for it appear to be having remarkable difficulty persuading anyone to do the job. An announcement on the appointment has once again been deferred. There is thus a big question mark over where corporate governance goes from here.

Corporate failures

The best reason for pressing ahead with Cadbury Mark Two is that if contentions governance issues are to be sorted out by the private sector, this is the obvious forum in which to do it. The original committee's reason for addressing issues of accountability was that its sponsors asked it to do so, in the wake of several corporate failures that exposed

weaknesses in governance. The terms in which Cadbury need not preclude a shift in the efficiency, especially in relation to smaller listed companies. A fur ther debate on where to draw the line here would be welcome. Yet there can be no escape from continuing stress on accountability, if Greenbury is to be implemented.

When companies confront the committee's requirements fully there will be squeals of anguish The disclosure provisions in relation to remuneration policy and performance criteria are demanding. With pensions, revealing details of the full actuarial cost of raising directors' pay risks causing public anger.

Quality managers

Under Greenbury, the role of the chairman of the remuneration committee is uncomfortable, since he is personally required to justify the committee's decisions to shareholders. Definitions of inde pendence in relation to nonexecutive directors on the remuneration committee are tougher than in the Cadbury report. And Greenbury calls for voluntary adjustments – ie, cuts – to pay packages at utilities, which it describes as richer than required to recruit, retain and motivate quality managers.

These recommendations were a

carefully judged response to justi-fiable public concern. They have government support. To retreat from them, in the face of pressure would thus be damaging. If there is an increased burden on business, that is a price that has to be paid to put right the damage done by the top pay flasco.

The worry must be that the esent backlash is symptomatic of the weakness of an approach that depends on exhortation and non-statutory sanctions. If consensus is lacking, it cannot be fully effective. In addition, the involvement of a wider group of represen tative bodies in Cadbury's proposed successor committee may ciency or accountability, but to the lowest common denominator of bureaucratic prescription. Sin Adrian Cadbury and Sir Richard Greenbury made a solid job of their unrewarding mandates, But provided for a successor body it is hard to be optimistic about what comes next



The FT Interview · Zhu Rongji

Beijing's blueprint for reform

executive vice premier in charge of the economy, is one of China's most powerful figures. He is also among its more reticent leaders when it comes to sharing views with the western press

But in a forthright discussion in Beijing's Zhongnanhai leadership compound last week, the 67-year-old Mr Zhu outlined China's economic agenda for the next five years and beyond. In the process he ranged across the structural and fiscal challenges facing the world's fastest-growing major economy at a critical moment in its transformation from a centrally planned to a

market-based system. He was also at pains, it seemed, to reassure foreign investors that China would stay the course in its reforms and was committed to broadening its integration with the world economy. His statement that China plans to make its currency convertible on the current account well ahead of schedule - the authorities had been talking about 1998 was clearly intended to signal bolder reforms to the external sector in line with requirements of the

world trading system. His comment that it was a "must" for China to reduce its high tariffs, which stand at 35 per cent compared with an average of 15 per cent for all developing countries, was part of the same message. China understood the need to push ahead faster with trade liberalisation both to make its domestic economy more competitive and to satisfy requirements for entry to the World Trade

Mr Zhu, whose public image is that of a stern technocrat, appeared relaxed, allowing himself the occasional earthy observation, delivered in the accent of his native southern Hunan province. He was intent, it appeared, on responding indirectly to suggestions that he had somehow lost his reformist zeal.

After a difficult two years, during which he has shouldered much of the burden for overseeing efforts to calm an overheating economy in his role as China's economic tsar. Mr. Zhu indicated he believed the worst was over. But he emphasised there

China's reticent tsar goes on the record to tell Tony Walker and Peter Montagnon there will be no turning back in the fight against inflation or in seeing through the country's reform agenda, which he expects to accelerate next year

would be no turning back in the fight against inflation, which reached 21.7 per cent in 1994.

His observation that China's economy had not yet achieved a "soft landing" was clearly aimed at countering persistent demands from the business community for an easing of credit restrictions now that price rises are abating. Gross domestic product growth has come down to about 10 per cent, from 11.8 per cent in 1994, and an inflation target for the year of 15 within reach.

Mr Zhu appears to feel the need to continue reminding state enterprise bosses and provincial officials that recent gains can easily be squandered. This role as China's harbinger of bad news has not endeared him to managers of creditstarved enterprises, nor to private businessmen who plunged into the property boom of 1992-93.

However, he displayed no reservations about the course set in July 1993 with the introduction of a 16point austerity programme, described by the Chinese as their macroeconomic control" policy.

"Many people abroad confuse Chi na's macro-control measures with tightening credit," he says. "This is not correct. We are not excessively tightening credit. To put it more correctly, we are readjusting the direction of our investment."

He also pledged that China would continue to guard against what he described as "speculative activities" in the money markets and property sector. "I want particularly to point out that in 1993, when our economy was overheated, it was ... overheated in the property area. If we hadn't adopted resolute measures to restrict its development at that

worse situation than Japan." That Mr Zhu should have chosen to speak on the record indicated satisfaction with progress in efforts

to bring the economy under control and probably reflected a feeling that his own position has stabilised. His star, which had burned brightly before 1993, appeared to wane somewhat in the past year it was inevitable the austerity programme would have earned him enemies - giving rise to a view that he might have lost ground in

But in the 90-minute interview he gave no sign of these pressures: on the contrary, he spoke with authority about China's reform agenda. and also allowed himself a moment of self congratulation when he noted: 'In July 1993 when I became the governor of the central bank, China's foreign exchange reserves were only \$18bn. Today, I am no longer governor [he stepped down in July], but by October 31, our foreign reserves had reached \$72.9bn -

e also appeared anxious to convey the message that, in spite of a period of pause in the crucial area of state enterprise reform, the government was preparing to move forward more quickly next year.

Reform measures, he said, had been concentrated in the "macro economic area, meaning reform in the fiscal, banking, taxation, foreign trade, foreign exchange and invest-ment sectors". But China had "not had time yet to focus on the micro aspects of the economy, and one of the key issues of micro reform is the reform of state enterprises".

"Next year we will spend more

time and energy on the reform of the state enterprises," he said of plans to earmark 1,000 key enterprises for [corporatisation] out of China's 14,000 large and medium-

sized state firms. Some 40 per cent of these are loss-making. Reform of loss-making state enterprises was in turn linked with the commercialisation of the banking sector. Banks could not become commercial entities in the western sense while their loan portfolios hed down with the ba debts of the state sector. "If the state banks are to be genuine com-

> mercial banks we have to await the completion of the reform of the state-owned enterprises, and we will try to attain that goal by the end of the century," he said.
> In his observations about the way ahead, Mr Zhu appeared to be working very much to a five-year programme. Thus state enterprise reform would be carried out by 2000. In addition, the banks, would be commercialised over the same period, and other important elements of the reform process - such

In his five-year blueprint, Mr Zhu would clearly like to move faster, as his comments about currency convertibility and tariff reform indicate, but he also knows that in complex areas such as financial sector reform he needs to be mindful of the risks involved. The freeing of interest rates and the introduction of open market operations is clearly a priority, but these reforms are constrained by implications of market-based interest rates for struggling state enterprises, many of

as trade liberalisation - would also

be advanced. That, at least, is the

theory, and Mr Zhu seemed not to

be in any doubt that significant

progress would be achieved.

which are barely in a position to service the interest on their present preferential loans.

"It will take time before the banks in China can make timely adjustments to the national economy by utilising the tools available to them including interest rate, exchange and open market operations," he said.

Mr Zhu's observations about the need for further trade liberalisation to satisfy requirements for membership of the WTO, were also accompanied by a caution that China would not yield on its demand that it be regarded as a developing couniry for the purposes of entry. "By any measure China is still a developing country... No matter how much desire we have to become a member of the WTO, China should not be expected to assume the obli-

gation for a developed country. Mr Zhu also made it clear that reform of tariffs would be linked with changes to the tax system, incentives for foreign invested enterprises to satisfy the national treatment requirements of WTO. At present, joint ventures pay corporate tax of 15 per cent, while Chinese enterprises are being taxed at more than 50 per cent.

"China has the determination to reduce the high tariff rate now but, of course, it is impossible to finish the job within a single year," he said. "If we reduced the tariff rate by such a wide margin, and at the same time stopped the tax exemption treatment enjoyed by foreign enterprises, ... we would have a budgetary crisis because we would have no revenue."

Mr Zhu said he doubted that the gradual phasing out of preferential tax policies would affect foreign investment: "I think anyone with vision would know that China offers a very big potential market, if not the biggest." Perhaps surpris-ingly, given the difficulties of the past two years, he was sanguine about the pace of the reform effort and the barriers to change. "The pace of progress has generally been the same as we envisaged." he said.
"Originally, we had anticipated
more risk, but as it turned out, we have seen less risk and more suc-

· OBSERVER

Gimme some blue sky?

■ What is Sol Kerzner, South Africa's answer to Donald Trump. up to? He has stepped down from the chairmanship of Sun Boputhatswans, which controls Sun City, South Africa's premier gambling joint.

Only last month Kerzner was hosting the 1995 ABTA convention for the UK travel industry at the mega resort, two hours drive from Johannesburg, where he built his fame and fortune.

Kerzner, whose web of hotels and resorts has made him the major player in South African tourism, said at the time that he was "very bullish about my country being a major player in international It seems strange that be is

bowing out just when South Africa is on the brink of becoming one of the world's hottest tourist Although he has turned 60 and is

reckoned to be a billionaire, he shows no intention of retiring from his punishing work routine. He still owns 10 per cent of Sun International Management, which manages the South African

For whatever reason, he seems far more fascinated at the moment in his risky overseas gambling ventures, such as the \$250m Atlantis resort on Paradise Island

in the Bahamas and a casino joint funneled into the enforcement venture with the Mohegan Indians

Puppy grows up: ■ When futures brokers move clients' positions around too frequently, they are accused of "churning". So what happens when those that regulate them swap job slots in short order?

It is but a year since Mary Schapiro was confirmed as chairman of the Commodity Futures Trading Commission. Now her name tops the list of candidates to lead the newly formed, and still unnamed, enforcement arm of the National Association of Securities Dealers (NASD).

The Nasdaq stock-dealing syste has teetered on the edge of scandal all year, and badly needs a tough enforcement official. Schapiro is in demand because she has impressed in her brief spell at the CFTC. Poor cousin to the much larger

Securities and Exchange Commission, the CFTC had lacked a permanent helmsman for more than two years before her arrival. It had also long been accused of excessive cosiness with the

industry.

But within months Schapiro, a lawyer who had seven years' experience as an SEC commissioner, had reorganised the CFTC's enforcement division; she had won a budget increase she

area; and she had issued several swift and shattering disciplinary rulines. Derivatives dealers were on notice that the puppy dog was belatedly growing teeth. She also shone in the Barings crisis, when she encouraged regulators to share information, thereby helping to avoid global gridlock. The NASD would be a bigger

pond for her. But futures industry executives rather hope she will stay put. They dislike many of her measures, but they know that better regulation means a much-needed fillip for their business's reputation.

Trouser press

■ OK. OK. So Observer is a few basis points short of a discount rate cut when it comes to enumerating the world's female central bank governors. In last Friday's note, following the ousting of Tatiana Paramonova in Russia. we tentatively suggested that Hungarian Hanna Gronklewicz Waltz might be the sole representative of her sex governing a central bank. Temporary myopia, on a north-easterly and north north-easterly bearing, has been diagnosed by a couple of readers. Sirkka Hamalainen has of course been in charge in Finland for the past three years, while Bodil Nyboe Andersen took over the Danish central bank at the beginning of the year. Just one other thing.

Perhaps the next female to scale these heights could be someone with a shorter name?

Moi?

🔳 Alain Juppé's government, mark II. drew praise indeed over the weekend from Jean-Claude Gaudin. the Gaullist senator who heads the regional council of Provence-Alpes Côte d'Azur. "It is much better than the previous one," opined Gaudin, who is also now the mayor of Marseilles. Actually Gaudin has just added further to his bulging portfolio, becoming Juppe's nev minister of local development, urban affairs and integration.

Might be right

Still on France, an advocate has just overturned a court ruling to expel as an illegal immigrant Nourredine Hamidi, a 44-year-old Algerian who has been brought up in the country since he was one. Fighting the injustices of the interior ministry was one Marine Le Pen, daughter of Jean-Marie, leader of the extreme right-wing National Front party. She is a paid-up member of her father's party and its legal adviser. But she argues that the case against her client is unjust, and that the National Front does not believe in aggression against individuals. Too had many of the party's supporters don't behave like her.

Financial Times

100 years ago American iron trade

The iron trade of the United States is prospering in the opinion of the New York Engineering and Mining Journal." The pig-iron production for October – nearly 1.000.000 tons - was at a higher figure than has ever been reached in the country. The total output for 1894 was nearly 900,000 tons less than that produced up to date in the present year.

50 years ago

No more women As from 24th of March next, the Stock Exchange Council proposes to withdraw permission for the admission of women to the Settling Room. Under Temporary Regulation 7. members could employ a woman as a Settling Room clerk on completion of Form 22A in the Appendix, one of the terms being that permission would terminat on repeal of the Temporary Regulations. The Council considers that the admission of women to the Settling Room, a temporary war measure, will no longer be necessary after 24th March next, by which date the Council will require such clerks to be withdrawn by their



France backs Germany on Emu penalties plan

By David Buchan, Andrew Jack and John Ridding in Parts

France agrees with Germany on the need for penalties to enforce budgetary discipline among countries belonging to the planned European monetary union, Mr Jean Arthuis, the French finance minister, said in an interview. He enthusiastically endorsed

the suggestions of Mr Theo Waigel, the German finance minister. who called last Friday for members of the future monetary union to adopt a "stability pact". Mr Arthuis said work on it should begin at once, even though monetary union was three years off and its member-ship uncertain. "All those countries which intend to be in monetary union must look ahead - to avoid accidents and to prevent

underhand behaviour However, Mr Arthuis refrained from immediately endorsing Mr Waigel's call for automatic fines on Emu participants which persisted in running budget deficits above the Maastricht treaty target of 3 per cent of GDP. He said he was "still ponder-

Nigerian

arms ban

Continued from Page 1

from the association".

includes provision for bilateral

and multilateral measures "by all member states, including limita-

tion of government-to-govern-

ment contact, people-to-people

measures, trade restrictions and,

in exceptional cases, suspension

Although yesterday's move by

the Commonwealth is seen as a

significant step towards enforc-

ing the Harare principles, the

immediate impact on Nigeria and

other military regimes is limited. Although South Africa and Britain have recalled their high

commissioners for consultation,

no other African Commonwealth

members have followed suit, nor

have they announced support for

French wine

about 10 per cent this year, to

Beaujolais nouveau has never

been marketed heavily in Aus-

tralia, a bitter opponent of

French nuclear testing, not least

because of the logistics involved. "French wines really have not

been promoted at all for the past

six months," said an executive at

Liquorland, an arm of the Coles

Myer retail group. Is this year's vintage worth bothering with? Mr Deflache, of

an arms embargo.

Continued from Page 1

he made clear that France was just as keen on the separate issue of sanctions to deter countries which were likely to stay outside Emu, such as Italy, from devaluing their currencies and taking trade from those inside Emu. His comments came ahead of a

series of important policy initia-tives to be unveiled this week by

the French government. It should

announce plans to wipe out the country's FFr60bn (\$12.32bn)

was more pessimistic about eco-nomic prospects than at any time since the end of 1998.

The finance minister argued that confidence was being restored by the government's tough line on cutting budget defi-cits, outlined by President Jacques Chirac and confirmed after last week's cabinet reshuf-

He said the government's commitment to reducing the public deficits was enabling the reduction in interest rates necessary to stimulate the economy and shift savings towards consumption. "Savings are so high because there are easy returns from high interest rates; we have to remove this easy rent," he said.

Mr Arthuis emphasised that the elimination of the deficit by 1997 – the objective set by Mr Alain Juppé, prime minister – would be achieved through spending curbs and increased rigour in managing the welfare system. The elimination of the social security deficit is a central element of the government's effort to satisfy the conditions for

> disparities of national legislation which for the time being hamper cross-border activities," said a Commission official. "There is a risk that the enormous potential for growth in the media sector, especially in the new digital services, will not be used properly

authorities will oversee the regu-

Commission officials believe the current hotchpotch of rules is seriously disabling the industry. For example, media companies in Germany are allowed to own only two satellite channels, "If BSkvB wants to offer a package of six channels to a German audience, it is unable to do so," said a Commission official.

Lloyd Webber targets Express

get deficit to FFr322bn, and to wrap up parliamentary debate on Mr Arthuis played down con-cerns about France's slowing economy and signs of a crisis of

likely over EU rules on media ownership

The proposals, which form part of the Commission's new work programme to be presented this week, aim to set common stan-

Their reintroduction has ingered Germany and Britain, which remain strongly opposed to measures which they say breach the principle of subsid-iarity. But Mr Mario Monti, the single market commissioner, believes he can improve on the

because of these disparities.

annual social security deficit over the next two years, to prune

public spending by a further FFr20bn, to hold this year's buda 1996 budget aimed at bringing the deficit below FFr290bn.

confidence among consumers, in spite of rising unemployment in ing" the specific nature of sanc-

Disputes

Controversial plans to harmonise media ownership rules in the European Union are to be revived by the Commission, a move cer-tain to rekindle arguments with member states.

many media operations a company or individual can own. They are broadly similar to plans dropped a year ago when Brus-sels accepted they were unlikely to be approved by member states.

August and September and a Top executives urge

Top industry executives from both sides of the Atlantic issued a plea at the weekend for firm steps to eliminate remaining obstacles to trade and investment

pean Union. About 100 business leaders the US and Europe competitive in

world markets. Transatlantic Business Dialogue

December 3. Some of the recommendations will be included in an "action plan" at the summit between President Bill Clinton, Mr Jacques Santer, head of the Euro-pean Commission, and Mr Felipe González, prime minister of Spain, which currently holds the EU presidency.

the Beaujolais association, says the new crop is "very good... rather complex, full and round". He says the greatest increase in orders is coming from France itself, which previously treated

end to obstacles in

between the US and the Euro-

European Commission, which promoted the ground-breaking conference in Seville, promised to take the proposals into account for a US-EU summit in Madrid on

study released last month by Insee, the national statistics

called for "all possible measures"

The US administration and

mer EU commissioner and chair-

By David White in Seville

to liberalise trade, including some agreements as soon as next year and the setting-up of working groups on tariff cuts in specific sectors. At a two-day meeting, also attended by senior US and European officials, they endorsed a wide-ranging list of recommendations, arguing that oint efforts were needed to keep

The proposals studiously avoided the term "free trade area". Mr Peter Sutherland, for-

US trade with EU man of Goldman Sachs Interna-

tional, said the two sides wanted to avoid giving the impression of an inward-looking club". If implemented, the recommendations would make "a dramatic change". Mr Ron Brown, US commerce secretary, promised to report by the end of March on the

progress made. A mixed government-industry advisory committee is due to be set up in the next two months to monitor moves on harmonising regulations and standards. Mr Alex Trotman, Ford chair-

man, told the conference that putting the proposals into prac-tice would take "months and years" of work. The industrialists called for negotiations to be completed next year on mutual recognition of standards in specific sectors

including electrical, telecommu-

nications and computer products.

They also emphasised the need for mutually accepted safety and environmental rules for cars. The US and EU should seek agreements by the end of 1996 on information technology and access to government-funded research and development, they said. They sought commitments

to end restrictions in public procurement and to work towards a multilateral agreement on invest-The conference document also

expressed strong opposition to unilateral trade sanctions. Conference details, Page 2

FT WEATHER GUIDE

plans. He argues they are essential for encouraging cross-border investment in Europe's growing media industry.

"The idea is to get rid of the disposition of patients located the disposition of patients located the disposition."

Brussels is conscious of the sensitivity of the proposals and wants to dispel any idea of a centralised European media authority, stressing that national

But some countries are not convinced of the need for action at EU level. "The idea is fraught with difficulties and I think the chances of member states being able to agree on common rules are pretty slim," said a British diplomat. Harmonisation is also unpopular in Germany where the Länder (states) do not want to concede authority over media

ownership rules.

Mr Monti, who has the backing of many influential European media companies, is expected to present the completed proposals in the first half of next year. Meanwhile, officials are working on the problem of how to mea-sure "ownership". The final defi-nition is likely to involve an examination of a company's audience share and the "controller" behind its investment.

THE LEX COLUMN

Not Shell-shocked

Saro-Wiwa has sparked debate over whether to embargo Nigeria's oil exports. That might seem to spell trouble for oil companies active in Nigeria, notably Shell. But in fact investors can afford to take a sanguine view.
While the US, UK and other countries are happy to han arms sales to Nigeria, they are reluctant to stop oil exports. This may be partly because they are worried that such economic pressure could destabilise the country; but it is also because their own eco-nomic interests lie in keeping the oil flowing. The US is the biggest inporter of Nigeria oil, while Britain is concerned not to demand Shell's

relationship with the country. Nigeria is unlike Iraq, where an oil embargo made sense on grounds of realpolitik. Nor is Nigeria like South Africa, where apartheid so ignited worldwide public opinion that considerations of realpolitik were overriden and sanctions imposed. Without the race issue, a dictatorship - however harsh - is unlikely to provoke the

is concerned not to damage Shell's

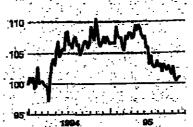
Friday's brutal execution of Mr Ken

same moral indignation. If an embargo were imposed, the impact on Shell could be positive. Although the giant operates Nigerian oilfields producing 900,000 harrels a day, its economic interest is only 250,000 barrels - roughly 8 per cent of its worldwide production. Moreover, because there is little slack in the world oil market, cutting off Nigeria's supply would drive crude prices higher. It would only take a \$1 or so on prices to compensate Shell for los-ing its entire production.

The Italian treasury's biggest ever privatisation - the sale of up to a quarter of Eni, the oil and gas giant batch: stakes in Enel and Stet are lined up for sale within the year. If Eni is a flop, the chances of using a stream of sales to cut Italy's debt will

The price, to be fixed between L5,250-L6,000 per share, is in line with the oil sector. Given that Eni benefits from a strong stream of steady earnings from its gas supply business, which other oil companies do not have, it looks cheap. But, as British Gas shareholders know to their cost, gas monopolies cannot maintain high margins for ever. Ultimately, customers start demanding competition or at least regulation. The Italian govern-ment's need to prop up the value of its

Dow Jones Indicas (European oil companies ..



own holding, though, offers some pro-tection. This also means it is less likely to rewrite Eni's favourable

International investors are likely to bid low for more short-term reasons. They are littery about the oil price and they have to make up their minds before next week's Opec meeting. Moreover the share price will be badly exposed to political risk: the group will account for nearly 15 per cent of the Italian market and will still be state-controlled. So the treasury may have to put up with a price towards the bottom of the range. It can probably live with that, as it is keen to see the shares perform well after they are sold. It can always console itself that if the share price does steam ahead, future privatisations will get a boost.

Cash flow

European investors are increasingly confronted by a new acronym: Ebitda. The term - which means earnings before interest, tax depreciation and amortisation - has long been a favourite among US investors. As US shareholders increase their ownership of European stocks, the term is crossing the Atlantic.

Ebitda, which is also loosely known as operating cash flow, has several attractions by comparison with more familiar valuation measures such as earnings per share (eps) and price/ earnings ratios. One is that, by strip-ping out depreciation, it avoids many problems that stem from different accounting and depreciation practices. Such difficulties are especially severe when comparing companies in different countries - which is why Ebitda is particularly in vogue among cross-bor-

Another feature of Ebitda is that it both should be in an investor's quiver.

is blind to a company's gearing. Eps. on the other hand, can be skewed by a company's capital structure: higher gearing typically boosts eps. There is nothing wrong in that. But a company with higher gearing will also have more volatile eps and should therefore enjoy a lower p/e ratio.

MARKETS

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Ebitia sidesteps differences in capi-tal structure by stripping out interest payments, which means there is no point comparing it to market capitalisation. The normal practice is to relate Ebitda to "enterprise value" (EV) debt plus market capitalisation - since operating cash flow has to service creditors as well as shareholders. As such, Ebitda also comes close to the cash flow valuations used by corporate financiers in takeovers and com-

pany restructurings.

But Ebitda is not a holy grail. Although the measure strips out much that is misleading, it removes valuable information too. Take tax. A company with a low tax charge is more valuable to investors than one paying high taxes. Eps makes a distinction but Ebitda does not. It is precisely in cross-border comparisons - Ebitda's particular strength - that tax differ-

ences can be significant Stripping out interest payments is also a mixed blessing. The implication of using EV/Ebitda multiples is that a company's capital structure is irrelevant to shareholder value. This is an extreme hypothesis. One only has to look at the UK's regional electricity companies to see that higher gearing can boost shareholder returns.

But perhaps Ebitda's biggest drawback is that does not take account of capital expenditure. Even if shareholders accept that depreciation is often arbitrary, they cannot ignore the fact that businesses must keep investing to survive let alone grow. Moreover, some companies - particularly those in capital intensive industries - have greater investment needs than others.

An appealing way of overcoming this problem is to adjust Ebitda for the amount of investment a company needs to make to maintain its business. The snag with this is that working out such "maintenance capital expenditure" figures is fairly subjective. Still, the process of trying to calculate how much a business needs to

invest can also be enlightening. Some investors are so persuaded of the merits of Ebitda that they dismiss eps and p/e ratios as meaningless. This is over the top. Eps and Ebitda both have advantages and defects, and

This announcement appears as a matter of record only.

LORÉAL

L'Oréal

Acquisition of

Jade Cosmetic GmbH

from

Hoechst AG

Baring Brothers

acted as exclusive financial adviser to L'Oréal in this transaction



Member of ING 👫 GROUP

OCTOBER 1995

Europe today

the wine haughtily.

Light rain or drizzle will fall in England, Wales and Scotland, Ireland, however will remain dry with a few sunny spells High pressure will bring dry and sunny conditions to central and eastern Europe and the Balkans. Winds will be light and temperatures seasonable in this region. In contrast, southern France and northern Italy, will have heavy rain, while thunder showers will erupt over central and southern Italy. Further west, a ridge of high pressure will bring dry conditions and sunny spells to Spain, but it will become rainy in northern Spain and

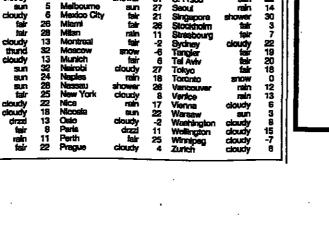
northern Portugal during the afternoon.

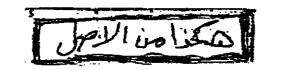
Five-day forecast Rain will fall in Ireland and western France on Tuesday and then spread across England, the Benelux and northern France on Wednesday. More showers are expected in Italy and Greece High pressure will continue to bring dry and generally sunny conditions to ea

Europe, while southern Scandinavia will turn colder at the end of the week.

TODAY'S TEMPERATURES Amster Athens Atlanta B. Aires B.ham Bangkok

Caracas Cardiff Cassablen Chicago Cologne Dekar Dallas Delhi Dublin Dublin Dubrovnii Edinburgi No global airline has a younger fleet. Lufthansa





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MARKETS



TONY JACKSON: GLOBAL INVESTOR For the past two decades, the US growth rate has been well below the historic average. Now the economy is ready to take off again. The Federal Reserve stands accused of bottling up this potential for fear of inflation. But inflation, even on overstated official figures, is no longer a threat. Page 24



MARTIN WOLF: China's industrial dynamism is in large part explained by the rapid growth of enterprises that are run by its townships and villages. anwhile, resources are being wasted in state-owned enterprises. which absorb about three-fifths of fixed investment. These locally owned enterprises are like bumble bees. They fly, but how? Page 24

BONDS: The syndicated loans market is once again abuzz with talk that interest margins are on the rise, though many say that's wishful thinking. Page 28

The withdrawal of two offerings last week, Pioneer Goldfields and Far Eastern Textiles, has raised fears that the primary equity market is closing down earlier than usual this year. Page 27

EMERGING MARKETS: Investors expect a measure of sanity to return to Mexico's financial markets this week following a

surprise central bank intervention last Thursday. CURRENCIES:

The initial focus of the foreign exchanges this week is likely to revolve around the US budget battle, with the unthinkable prospect of the US government defaulting on its debt if no solution is reached. Page 26

COMMODITIES: A warning that platinum's prospects were being damped by the increasing use of palladium in catalysts used to clean car exhaust emissions was delivered by Mr Michael McMahon, chairman of Impala Platinum, the world's second largest producer. Page 24

LIK COMPANIES business-to-business magazine sector, is planning to merge two companies he bought from the administrators of the Maxwell Communication Corporation and seek a full quote. Page 22

INTERNATIONAL COMPANIES: Scandinavian Airlines System (SAS) continued its earnings recovery in the third quarter, taking pre-tax profits for the first nine months to SKr2.14bn (\$322m). Page 23

STATISTICS

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Murdoch buys Carolco for \$50m

Monday November 13 1995

By Christopher Parket in Los Angeles

Carolco Pictures, the troubled US independent film maker, has been bought by Twentieth Century Fox, Mr Rupert Murdoch's movie and television production subsidiary.

Carolco, which had a reputation in Hollywood for budget over-runs typical of an earlier age, was sold for about \$50m (£32m).

Twentieth Century Fox, an offshoot of News Corp, is taking over the Carolco co-founder of the company, resigned on library - its principal asset - and partial friday, although there were reports that rights to films yet to come, including a he might shortly return as a fixed-fee-earn-

Creditors, including French-owned Metro-Goldwyn-Mayer and Canal Plus of France, are expected to be repaid a portion of their lendings from the sale, with more to come - possibly - from the proceeds of the pirate film, Cutthroat Island, soon to be released, and a remake of Lotita.

The deal ended a 20-year career in which the company's dozens of films generated an estimated \$3bn gross.

Mr Mario Kassar, chief executive and

ing producer on projects at Carolco or at Cinergi, another independent company established by his former partner at

Carolco, Mr Andrew Vajna.

Mr Kassar and Mr Vajna were considered masters of the art of raising financing by selling their movies in advance into foreign markets.

Despite producing hits such as the Rambo series and Basic Instinct, the company had been dragged to the brink of collapse by a combination of high-spending and increasingly heavy risk premiums demanded by backers, distributors and

suppliers.
Residual profits from the successes also

tended to be swallowed up by losses from flops, such as *Chaptin*. But Carolco was ultimately defeated by the ferocious competition in the domestic market and its failure to control costs. The company is widely credited with starting the escalation in star fees when it paid Mr Michael Douglas \$12m for his role in Basic Instinct. Male film stars, such as Mr Sylvester Stal-

lone, are demanding about \$20m a film. As several potential hit films have sunk almost without trace in a mass of US autumn releases, doubts have been raised about the survival rate of the dozen or so

Hollywood movies due for release over the holiday season.

Many European groups are seeing a slowdown in the pace of the modest recovery

Horizon scanned with caution

urope's companies are bracing themselves for an economic slowdown. Even though many groups have posted strong profit increases in recent months, they are becoming increasingly cautious about the

There are exceptions, notably among companies exporting to high-growth markets such as China and in expanding industries including computers. But the overall view from the boardroom is that demand has weakened since the summer.

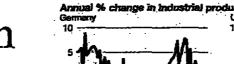
As Sir David Lees, chairman of GKN, the diversified UK motor components group, says: "I can't see it in the order book. But I can feel it. Sentiment has got

His remarks have been echoed in Germany by Mr Hans Meinhardt, chairman of Linde, the industrial group, who has noted "a significant decrease in economic growth", especially in the home market. And in France. Peugeot-Citroën, the vehicle maker, has warned of "an absence of recovery" in the countries of western Europe.

Few speak of recession, merely of a slowdown in the pace of the fairly modest recovery which began in the UK in 1991 and spread to the Continent in 1992. The talk is not of an end to growth but of a pause. However, each bit of bad economic news multiplies worries about how long that pause might last.

The voices of caution are by no means unanimous. Mr Jürgen





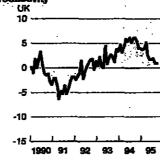
Source: FT Extel

Strube, chairman of BASF, the German chemicals group, last week said: "We see no signs as yet of a general economic down-

However, recent surveys of business sentiment suggest Mr Strube is in a minority. In Germany, the DIHT, the umbrella group for chambers of commerce, warned in a twice-yearly report last week of weakening business confidence, faltering investment and rising unemployment. In the UK, both the Confederation of British Industry and the Institute of Directors, the two main business organisations, have published quarterly surveys showing confidence falling sharply to its lowest level since 1992. In France, a recent survey by Insee, the national statistics office, showed business opinion about prospects turning negative for the first

To some extent, the gloom is a reaction to excessive optimism late last year, when markets were buoyed by strong growth in North America and Asia, which lifted European exports and helped to raise prices in industrial raw materials.

time in over a year.



As prices rose so downstream manufacturing companies built up stocks to protect themselves against further possible price increases. However, with exceptions, demand for manufactured goods from EU consumers remained flat - so the stock building had to stop. Industrial material prices are falling, not least because producers stepped

up output to take advantage of

higher prices. Plastics prices are

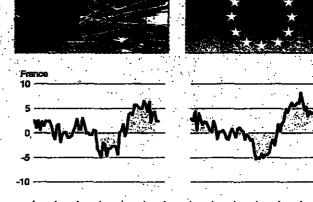
40 per cent off their spring peaks;

steel prices have dropped since the summer by up to 10 per cent. Economists still see growth in the main economies, but many are cutting forecasts, notably the French government's Isee which has cut its prediction for gross national product growth from 3.1 per cent to 2.9 per cent. In Germany, DIHT forecasts a slowdown next year to 2 per cent from 2.5 per cent this year. In the UK, new forecasts from private sector economists are averaging

tions of 29 per cent. Underlying these revisions is a continuing weakness of consumer demand, born mainly of

2.7 per cent for GNP growth in

1996, down from earlier predic-



worries about unemployment. In the UK, consumers have not recovered from the housing slump. Real interest rates remain high in both the UK and in France. In Germany, there are fears that the rise of the D-Mark will prompt further big job cuts. This uncertain outlook has col-

oured many recent company results announcements. While the profit statements covering periods up to the end of September have often been strong, the comments about prospects have been unexpectedly cautious. The contrasts have been sharpest for raw materials producers, because they have seen the greatests swings in prices.

For example, Stora, the Swedish forest products group, which last week announced results for the first nine months of 1995, saw a three-fold jump in pre-tax profits to SKr6.2bn (\$932m). But it warned while demand for newsprint and magazine paper remained strong, orders for fine paper, packaging and pulp had

In steel, Avesta Sheffield, the Anglo-Swedish group, reported a four-fold increase in profits to

SKr3.45bn for the nine months to September but said it was cutting output to meet a fall in orders for cold-rolled flat steel, its main product. Industry executives will pay close attention to results due today from British Steel for any

similar warnings. The news from the motor industry was generally gloomy. with weaker-than-expected profits at Sweden's Volvo and at Evans Halshaw, the British car dealer, which said the market had "dried up" in mid-August.

Engineering and electronics groups offered mixed reports, with evidence of progress from companies in computers and computer-related business and from those in high-technology industrial equipment such as process controls.

ABB, the Swiss-Swedish engineering group, which posted a 61 per cent gain to \$197m in the three months to September, said demand for capital goods had been good. But Mr Percy Barnevik, chief executive, warned demand for cars and other consumer goods was slowing.

Stefan Wagstyl 1220m.

Shake-up at UK building group

By Motoko Rich in London

Caradon, one of the UK's largest building materials groups, is removing a management layer and mounting a cost-cutting pro-gramme to revive its weakened

The group, which was forced to bring forward the publication of interim results in September after a profits warning, is expected to make an exceptional restructuring provision of up to £25m (\$39.5m) in its 1995 accounts. The charge will include redundancy costs for "several hundreds" of job losses. As part of the restructuring. Mr Daniel Cohen, chairman of

the European building products division, is leaving the group and the company has hired Rus-sell Reynolds, the head hunter, to find a chief operating officer. Before taking over the Euro-

pean post two years ago, Mr Cohen was finance director from 1985. While he was highly praised in the finance job, his time as an operational manager has been difficult.

Regional executive committees in charge of North America and Europe have been dissolved, and the group's seven operating divisions now will report directly to Mr Peter Jansen, chief executive, rather than through regional

It is understood that Mr Cohen was on a salary before bonuses of about £255,000-£260,000. The terms of his departure have not been settled.

Mr Tim Walker, chairman of the North American division, is security printing business and

returning to the UK where he will continue to oversee the US will take on responsibility for UK commercial relationships. The search for a chief operating officer is helieved to be in

the early stages. It is understood the person who fills that job could be the heir to Mr Jansen. who is expected to retire around the turn of the century. The group's share price has

fallen from a 1995 peak of 270p to 180p on Friday, following a disappointing set of results at the half-year stage.

Despite cutting £40m in costs last year, depressed UK and US construction markets have hit profits at the company, which is this year expected to post pre-tax and exceptional profits of about £160m (£201.2m).

Earlier this year brokers were forecasting 1995 profits of up to

This week: Company news

EURO DISNEY

Happier theme for the French park operator

Analysts are predicting that Euro Disney, operator of the Paris-based theme park, will report modest profits on Wednesday for the first year in its troubled three-year history, writes Andrew Jack Estimates vary between about

FFr20m and FFr150m (\$31m), but most

seem confident that the park will return modestly into the black, echoing its first-ever profits of FFr170m for the Shird quarter reported in July. At the time, Mr Philippe Bourguignon, chairman, hinted that the group was likely to break even for the full year, after months of refusing to make any

such positive predictions. The full-year figures will reflect the full impact of the changes made under a financial restructuring negotiated in summer last year with creditor banks, which cut interest payments, leasing charges and royalties to its parent, the US-based Disney Corporation.

Euro Disney executives claim that last year's drop in attendance - from 9.8m to 8.8m visitors - was the result of rumours about the potential closure of the park. Analysts will be keen to see whether the figure has increased again, after the launch of a new marketing strategy and the opening this summer of the Space Mountain attraction.

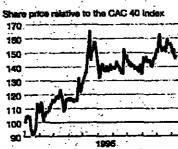
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They will also study changes in the occupancy of the group's hotels, and how much money visitors are spending in the park on food and merchandising. Mr David Klein, leisure analyst with NatWest Sellier in Paris, projects that the park will make profits of FFr50m for 1994-95 on about 9.5m visitors. "If they are still getting people through the

down now with all the problems they have faced, things are looking good."

The real question for Euro Disney is whather it is moving to a sustainable level of profits before interest and other financial charges that were removed. financial charges that were removed during the restructuring begin to kick back in from next year.

Euro Disney



US AIRLINES Deals and defences at board meetings

Events this week could begin to lift the uncertainty over the future shape of the US airline industry, writes Maggie Urry in New York. Analysis predict the sector is on the brink of a wave of mergers and consolidations. The first sign could come from UAL, parent of United Airlines. Its directors meet today to decide whether to pursue a deal with USAir, the troubled carrier in which British Airways has a near 25 per cent stake. It is now more than a month since USAir revealed it was in talks with UAL and rival AMR, American Airlines' parent, over a possible alliance or merger. UAL promised to announce

by mid-November what its plans were.
If USAir does fall, another likely candidate for takeover is Northwest Airlines. Its board also meets this week to discuss its defences, much to the annoyance of its 21.5 per cent shareholder KLM Royal Dutch Airlines. KLM last week sued other Northwest Airlines shareholders over limits put on its voting rights as one of the original investors which backed Northwest's buy-out in 1989.

Japanese carmaker which are due out on Friday are likely to show a firm performance, particularly in the domestic market Honda has bad enormous success with its Odyssey recreational vehicle and the CR-V. As a result, the company

Honda: First-half figures from the

is expected to show higher domestic sales than initially forecast.

Schering: Germany's pharmaceuticals company announces its nine-month results today against a background of controversy over several of its drugs and the expectation of a decline in profits caused by the D-Mark's strength against the US

The German federal institute for Drugs and Medicinal Products said it would impose restrictions on the availability of some of Schering's third generation contraceptive drugs because of possible side-effects. The costs of launching Betaseron, its multiple schlerosis drug, are proving higher

than expected. Schering is aiming to maintain sales and profits levels: last year it reported net profits of DM210m (\$148m) on a turnover of DM3.52bn.

■ British Steel: Sharply increased steel prices and healthy volume growth in Britain and continental Europe should lift the steelmaker's interim profits to between £530m and £550m (\$860m), against £415m in the second half and £159m in the first half of last year when it reports today. The dividend is expected to be lifted from 2p to 2.25p. with up to 9.5p (7.5p) pencilled in for

■ BOC: Tomorrow the UK industrial gases group, is expected to unveil a surge in full-year profits to £400m, up from £253m last year, more than doubling earnings per share, to 51.4p

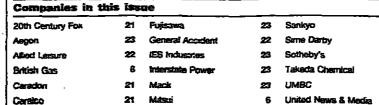
■ General Accident: Results on Tuesday from the composite insurer will be affected by Caribbean hurricane losses but a jump in pre-tax profits for the first nine months from £322m to about £370m is expected. GA is relying increasingly on overseas operations, including Canada and the US, to compensate for tougher UK conditions. Similarly, results on Wednesday from

Commercial Union, the largest UK-based composite, will be watched for the performances of its Groupe Victoire operation in France and the strength of North American activities. A rise in pre-tax profits at the nine months stage from £305m to about £370m is forecast.

■ British Gas: The company will report its traditional third-quarter loss on Wednesday, with the market expecting a deficit of between £140m and £155m. against last year's £149m. The focus will be on what the company has to say about its take or pay contracts, where it is locked in to buying gas at painfully

■ Cable & Wireless: Interim pre-tax profits at the electronics and telecoms group will be swollen by the sale of a stake in the second German cellular licence which resulted in an exceptional profit of about £195m. As a result pre-tax profit figures will show a jump of about 40 per cent to around £806m. Attention will focus on Hongkong Telecom which is expected to confirm the slowdown in revenue and earnings growth and Mercury Communications in the UK where operating profits are expected to show modest growth.

Elsai



Royal Dutch/Shell

23 23 23 22 This announcement appears as matter of record only.



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COMPANIES AND FINANCE

Lloyd Webber targets Express Sotheby's

The public declaration by Sir Andrew Lloyd Webber, the composer, that he is interested in putting together a consortium to bid for Express Newspapers should help to flush out whether the titles really are for

Lord Stevens, chairman of United News & Media, has repeatedly said he is not trying to sell the papers, unless he receives the sort of offer that would be impossible to refuse. In the past, although everyone from Mr Conrad Black, chairman of the Telegraph Group, Mr Tony O'Rellly, head

Plans by General Accident, the

Scotland-based composite

insurer, to acquire Provident

Mutual are expected to be approved this week by policy-

holders at the mutual life

An extraordinary meeting in London on Wednesday is

expected to produce strong

support for the £170m takeover

which is widely seen as fore-

shadowing further consolida-tion in the UK financial ser-

vices industry. The deal would

more than double funds under

management at GA's life

However the plan has attracted some criticism -

likely to be voiced at Wednes-

day's meeting - that policy-

holders are not being rewarded

sufficiently for the loss of vot-

ing rights and the share GA will take in future profits from

Provident Mutual funds.

operations to £14bn.

GA takeover likely

cations and even Mr Maurice Saatchi has been linked with the Express Group, Lord Stevens insists he has yet to receive a formal offer.

In recent years, Lord Stevens' main aim had been to manage the three national titles - the Daily Express, Sunday Express and Daily Star profitably, despite declining circulations.

In 1994, Express Newspapers produced £30m in pre-tax profits although that figure is

The £170m paid into the Provident Mutual long term

£145m for a 10 per cent interest

GA will have in the fund and

£25m intended to "sweeten"

the deal for Provident Mutual

Provident Mutual and Gen-

eral Accident refused to pre-

dict the outcome of Wednes-

day's vote but Mr Barrie Holder, deputy chief executive at GA said: "We are hoping to

have a good vote in favour

because we think it is good for

port of 75 per cent of those voting. Provident Mutual has

500,000 policyholders, but not

all are eligible to vote. The

deal also requires high court approval but is expected to be

Provident Mutual warned

last month that failure to back

its acquisition by GA would

result in restructuring costs of

completed early next year.

The deal requires the sup-

policyholders.

policyholders."

price war bite even harder. Some analysts think £20m before exceptionals is more likely this time

The recent 3p price rise to 35p at the Daily Express will help revenues as long as it does not speed up the rate of circulation decline. In the past 10 years, the Daily Express has lost about 600,000 circulation to drop to less than 1.3m.

Earlier this month, Sir Andrew had lunch with Mr O'Reilly and outlined his ideas. These apparently include the possibility of investing up to £100m of his own money in the venture. Other possible part-

of Independent Newspapers of price rises and the continuing ners such as Mr David Mont-Ireland, Mr Michael Green, price war bite even harder. Some analysts think £20m Mirror Group, have not been gomery, chief executive of the Mirror Group, have not been approached.

Sir Andrew has made it clear he would only go ahead if he could attract partners with newspaper experience. His idea is for a rejuvenated middle ground paper without any political slant.

Sir Andrew's intervention, by focusing interest on the future of the Express group, may help to establish what people are prepared to bid for three national newspapers that have seen better days - and whether the price offered is high enough for Lord Stevens.

Flextech £13m in to get strong support red for nine months

By Motoko Rich

Flextech, the US-owned media business fund consists of group which launched Playboy TV this month, made pre-tax losses of £13.3m in the nine

months to September 30. The group, which is owned by Tele-Communications International of the US, said it was reporting on a quarterly basis following the Nasdaq listing of its parent company. Since this was the first time the company had reported quarterly results. comparable figures from the previous period were unavail-

The group also announced several board changes, includ-ing the appointment of Mr Adam Singer, executive director, as non-executive deputy chairman. The losses were struck on

turnover of £23.7m. At the operating level, losses from continuing activities were £6.9m, and £2.6m from the discontinued IVS Cable Holdings.

The group sold IVS for £52.6m to KPN Kabel, a subsidiary of the eponymous postal and tale-communications company in the Netherlands. Third quarter results were

affected by costs associated with the launch of Action Stations, an indoor adventure playground for children, and start-up costs for Playboy TV. The group said that in the first week of Playboy TV's transmission, the channel, broadcast on both cable and satellite, had attracted more than 17,000 direct to home subscription enquires. The channel has distribution contract commitments from more than

Flextech said marketing costs for the quarter were unusually high to cover one-off campaigns to launch its autumn schedule. It said programming costs also increased in line with its commitment to enhance its rights library.

one third of the UK cable net-

auction sales rise 20%

A rise in demand for Impressionist and Modern art fuelled a 20 per cent growth in Sotheby's auction sales in the nine months to September 30, while seasonal weakness led to third quarter losses.

Income before tax in the nine month period more than doubled to \$8.42m (£5.32m), against \$4.18m. In the third quarter, losses before tax were flat at \$19.4m (\$19.2m). Profits in the main auction

business rose to \$7.7m (\$3.7m) in the nine month period, and widened to losses of \$19.8m (\$19.2m) in the third quarter. The group said the third quarter was historically a period of "minimal sales activity in the art auction market",

during those months.

Sales in the auction division increased by 14 per cent to \$168.5m (\$147.9m) in the nine month period. Ms Diana Brooks, president and chief executive officer, said sales of Impressionist and Modern art led the growth, but were also helped by a 37 per cent rise in jewellery sales.

Auction sales rose 21 per cent in North America and 20 per cent in Europe.

During the nine month period, the financial services business increased pre-tax profits to \$3.59m (\$2.95m), and the international real estate division returned to the black with a \$24,000 profit (\$41,000

unchanged in the third quarter at 21 cents. In the nine month period, earnings per share increased to 9 cents (4

Brian Gilbert lines up stock market listing

Mr Brian Gilbert, a leading publisher in the business-tobusiness magazine sector, is planning to merge two compa-nies he bought from the administrators of the Maxwell Com-munication Corporation and seek a full Stock Exchange auote.

Waterlow Information Services and Wilmington Publishing will come together under the Wilmington name and the aim is to raise about £12m, by placing between 33 and 34 per cent of the shares with institu-

Mr Gilbert built up United Trade Press, originally bought from the receiver for £44,000, until it was eventually sold to MCC for nearly £35m in 1987. Later he became a director of MCC and ran its business mag-azines and exhibitions busi-

ness. He resigned from the company in November 1990, a year before the death of Mr Robert Maxwell, the MCC chairman. Wilmington publishes a

number of established business publications such as Architects Standard Catalogue, Modern Power Systems and Soap Perfumery and Cosmetics. The company also publishes a growing number of electronics products such as Music Master/Gramophone CD-Rom and ASC Diskindex

In the year to the end of February 1995, the Wilmington companies had turnover of £23.2m (£20.8m) with profits before tax and interest of £2.5m (£1.8m). In the six months to the end of August the rising trend continued and the company made pre-interest profits of £1.6m.

Under the flotation plan,

which is being sponsored by third of the shares will be held by five board members and 22 senior managers through the conversion of options into

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The final third will be held by the original shareholders, including Schroeder Ven-

Mr Gilbert, who was previously chairman of both Waterlow and Wilmington, will become chief executive of the merged group. Mr Alan Dickinson joins the board as non-executive chairman and Mr Dennis Rooke as a non-executive

Although there are no specific takeover targets in mind it is clear that Mr Gilbert sees the flotation as a way of building up a "warchest" for future acquisitions in the business

Allied Leisure £20m buy

By James Harding

Allied Leisure has rolled to the top of the UK's ten-pin bowling league with the £19.8m acquisi-tion of Granada's 19 bowling

The cash purchase, funded in part by a £15.8m rights issue, gives Allied, formerly a restaurant and night club business, more than 1,000 lanes at its 35

bowling alleys. Mr Kenneth Scobie, chairman, said prior to the expansion "the company was barely large enough to justify plc sta-

tus and lacked critical mass". The acquisition provided "an excellent opportunity to expand our business and to pursue our objective of achieving leadership in bowlingbased entertainment". Allied forecast the acquisi-

tion would be earnings enhancing in the year to June 1996. Granada's predominantly southern business will complement Allied's largely northern

Granada's bowling business, part of the entertainment group's leisure division, had turnover of £18.1m and operating profits of £2.4m in the 12 months to September 30 1994. Book value was £12.2m. Allied said 1995 profits were

set to be "significantly higher - expectations are pitched at about 23m - and it calculated book value at £14.9m.

The rights issue is on a a 2-for-3 basis at 34p. The shares closed unchanged at 41p on Friday. Panmure Gordon, the broker, has fully underwritten the issue.

Allied said it would fund the rest of the deal via bank debt.

Roxspur set to make cash call

By Motoko Rich

Roxspur, the specialist engineering group which had its shares suspended last month, is expected to announce a rights issue as early as today

The group's shares were suspended after it said trading and shares for Wills, and disconditions at Wills, the fluid covered shortly after the acqui-

worse than anticipated". It is expected to make a cash call of about £2.5m to help

meet working capital require-ments, with the issue likely to be priced at about 3p. Roxspur paid £25.1m in cash

handling subsidiary it acquired sition that the business was in April, were "substantially suffering severe short-term. worse than anticipated". cash flow difficulties. However, the group's posi-

tion was improved last week when it announced the sale of Algo, a Wills subsidiary, for film to Hunt Valves & Fittings, a private valve company. The buyer also assumed £1.7m of

	CROSS BORD	ER M&A DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	YALUE	COMMENT
Central & South West (US)	Seaboard (UK)	Electricity distribution	£1.6bn	Seventh Rec bid
Texas Utilities (US)	Eastern Energy (Australia)	Electricity distribution	£1bn	Another Victoria sale
National Australia Bank (Australia)	Michigan National (US)	Banking	£969m	Formally completed
Inflo Holdings (US/ Belgium)	Unit of United Biscuits (UK)	Food	£316m	UB exits US
MBO Team (UK)	Unit of ADT (Bermude)	Vehicle auctions	£211.5m	ADT switching focus
ADT (Bermuda)	Alert Centre (US)	Security services	£58m	to electronic security
Antofegesta Holdings (UK)	Banco Crédit Lyonnais Argentina (France/Argentina)	Banking	£47.4m	Luksic furthers financial interests
Sage Group (UK)	Sybel Informatique (France)	Computer services	£16.2m	Third French buy
Tesco (UK)	Savia (Poland)	Retailing	£8m	Extending East Europe presence
Softbank Corp (Japan)	Ziff-Davis Publishing (US)	Publishing	£1.3bn	Forstmann-Little takes profits

ntice of Partial Rede to the Holders o nco Central de Costa Rica

NOTICE IS HEREBY GIVEN TO THE HOLDERS OF THE INTEREST CLAIMS BONDS, pursuant to the provisions of the especific Placel Agency Agreements dated as of May 1, 1990 among Basco Central de Costa Rica, the Republic of Costa Rica and Costa Rica are an advantaged to the Costa Rica and Bankshuterica National Trast nents required to be made lead to be made lead to the costs Rics pursuant t

> Principal Coupons to be Redu May 21, 2005 February 21, 2005 November 21, 2004 August 21, 2004 May 21, 2004

Payment of the principal emount of each Principal Coupon due upon redemption shall be made on or after such redemption data upon the presentation and surrender of the upon the presentation and surrender of the Interest Claims Bonds, together with all Principal Coupons called for redemption and logether with all interest Coupons coming due and payable on or eiter May 21, 2004, at any of the following locations:

York, New York 10048

Bank of Asserta Mational Trust and Savings Association 25 Carmon Street London ECAP 4 HN, England

ISBC GLOBAL INVESTMENT FUNDS é d'investissement à Capital Variable ed Office: 7, rue du Marché-aux-Fierbes L-1728 LUXEMBOURG R.C. Luxembourg B.25.987

reholders, that the ANNUAL GENERAL MEETING ers in HSBC Global Investment Funds will be he or summensumers at HSBC Global investment Funds will be held at the company's registered office at 7, rue du Marché-aux-Herbes, L-1728 LUXEMBOURG, on Friday 24th November 1995 at 11.00 am for the purpose of considering the ordinary business of the Company and voting upon the following agenda:

1. Submission of the reports of the Board of Directors and of the Independent Auxiliars.

appropriation of the net results.

Discharge of the Directors.

Re-election of the Directors.

i. Miscollaneous. The Shareholders are advised that no quorum is required for the items on the agenda of the General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting. In order to attend the meeting on 24th November 1995, the owners of bearer shares will have to deposit their shares free clear days before the meeting at the registered office of the Common or with one of the following banks:

Banque Internationale à Lus 2, boulevard Royal L-2931 LUXEMBOURG

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FINANCE

CORPORACION INDUSTRIAL SANLUIS, S.A. DE C.V.

NOTICE OF A MEETING

EXTRAORDINARY RESOLUTION

assents to the modifications of the Terms and Conditions of the Notes as printed on the reverse them to the Term Deed by:

(a) the deletion of the words "Annual Period them ending" and the substitution therefor of the wending after the words "Quanterly Balance Staet Due for the "in Condition 81 May;

(b) the deletion of Enginese "1.75" and the substitution therefor of "2.0" after the words "Counter for Debt Service equal to or greater them," in Condition 81 May;

(c) the deletion of Condition 84 May in its entirety;

(d) the deletion of Condition 84 May in its entirety;

(d) the insertion in Condition 86 May in a new definition as follows:

"Quarterly Period" means any three month pariod";

sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the of the Coopens appertaining to the Notes against the Issuer involved in or resulting from the paragraph (1) of this Resolution; and authorises and request the Trustee to concur in the modifications referred to in paragraph (1) of the give effect thereto, forthwish to assecute a Supplemental Trust Deed in the form of the draft produce purpose of identification signed by the Chairman thereof with such amendments (if any) thereto accordingly Resolution is being sought because the Issuer believes that the proposed modifications is accordinary Resolution is being sought because the Issuer believes that the proposed modifications is

the Extraordinary Resolution is being sought to the Extraordinary Resolution of the Nones will result in Illumbicial undertakings women and the Conditions of the Roses may be supported to their position.

On the passing of the Extraordinary Resolution and its implementation, each Noteholders with financial parameters waters operating conditions whilst at the same time having due regard to their position.

On the passing of the Extraordinary Resolution and its implementation, each Noteholder shall become eligible for the pite Issuer at the rate of U.S.\$50.00 per U.S.\$10.000 in principal amount of Notes held by such Noteholder payable on relevant Note on the Interest Payment Date falling on 16th May, 1996.

Fell details of the background to, and the reasons for, the proposed modifications and the Extraordinary Resolution explanatory letter prepared by the Issuer disord 10th November, 1995, copies of which are available for collection by specified offices of the Paying Agents are out below.

The Issuer and its financial advisors, Samuel Monsagn & Co. Limited, consider that the proposed modification Extraordinary Resolution at the Extraordinary Resolution.

The attention of Noteholders is practically drawn to the quantum required for the Meeting and for an adjourned Meetin paragraph 2 of "Voting and Quorum" below. Having regard to such quorum requirements, Noteholders are strongly to represented at the Meeting, as referred to below, as soon as possible.

Copies of the Trust Deed (inclinding the Terms and Conditions of the Notes) and the draft Supplemental Trust Di Ectraordinary Resolution as to at above and of certain other referent accuments will be available for inspection (a specified offices of the Paying Agents as out network.

A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting a person must produce at the Meeting in person must produce at the Meeting certificate or valid voting certificates issued by a Paying Agent relative to the Note(s), in respect of which he wishes to vote.

A Noteholder not withing to attend and vote at the Meeting in person may either deliver his Note(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction of interno obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and wore at the Meeting in accordance with his instructions.

of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and wore at the Meeting in accordance with his instructions.

Notes may, not less than 48 hours before the time fixed for the meeting, be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by Codal Bank, société anonyme or Morgan Gausanty Treat Conspany of New York, Brussels office, as operator of the Euroclean System or any other persons approved by such Paying Agent, for the propose of obtaining voting certificates or, until the three being 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjourned such Meeting) or upon surrender of the voting mentions in not thereather, giving writing instructions in respect to the helding of upon surrender of the voting entitles of the voting instruction receiption (or, if applicable, any adjourned such Meeting) or upon surrender of the voting instruction receiption issued in respect thereof.

The quorum required at the Meeting is one or more persons present holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the inne being outstanding, if a quorum is not present at the Meeting in the aggregate a clear majority in principal amount of the Notes for the inne being outstanding, if a quorum is not present at the Meeting, the Meeting will be adjourned and the Extraordinary Resolution will be considered at an adjourned Meeting in the considered at the notes proxies whatever the principal amount of the Notes so held or represented by them.

Every question submitted to the Meeting will be decided on a show of bunds unless a poll is they demanded by the Chairman of the Meeting all the one or the Tuster or the Tuster or the Juster or the State or the Tuster or the Tuster or the Tuster or the Juster or the Tuster or the Tuster or the Tuster or the Tuster or the Juster or the Tuster or the Tuster o

A Note or voting constrained amount of the Notes so processed up to 19.551 in principal amount of the Notes so processed in principal amount of the Notes so processed in principal amount of the Notes of the State
PRINCIPAL, PAYING AGENT The Chase Munhaitan Bank, N.A. Woolgate House Coleman Street London BCZP ZHD

PAYING AGENT Inhatten Bank Luxen 5, tue Plaetis L-2338 Luxemboury

Noteholders whose Notes are held by Euroclear or Cedel Bank, société accoryme should contact the follow Suroclear: Castody Operations Department (telephone Brussels (322) 5191211, telex 61025) Cedel Rook, société anonyme: Cambraie: Action Department (telephone Luxembourg (352) 448

This Notice is given by: CORPORACION INDUSTRIAL SANLUIS, S.A. DE C.V.

(the "Issuer") any incorporated under the laws of Mexico)

ag of the Noseholders convened by the lastier will be held at the play, 4th December, 1995 at 10,00 a.m. (London time) for the

FINANCIAL TIMES MONDAY NOVEMBER 13 1995

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SAS continues profits recovery in third quarter

By Christopher Brown-Humes in Stockholm

Scandinavian Airlines System (SAS) continued its earnings recovery in the third quarter, taking pre-tax profits for the first nine months to SKr2.14bn

The result, which compares with a SKr1.24bn profit a year ago, showed the success of the group's efforts to drive up yields, by concentrating more on business class passengers, and the impact of a tough costcutting programme. But its figures were hit by strikes and foreign exchange losses.

The airline expects full-year profits to reach at least SKr25bn - a big advance on last year's Skr1.5bn - which will entrench its recovery from four years of losses from 1990

SAS said nine-month operating revenues rose 7 per cent to SKr26.7bn and operating

income after depreciation increased from SKr857m to SKr2.61bn.

It achieved a 5 per cent rise in aircraft revenues, despite unchanged traffic volumes, by increasing the number of its EuroClass passengers, raising fares in some markets and adjusting routes and frequencies. Operating costs were broadly unchanged, but showed a falling trend in the third quarter.

Strikes cost the group SKr300m in the first nine months. They will also hit the group's final quarter figures after the recent, but now settled, dispute involving Norwe-gian and Swedish cabin staff. SAS has been badly affected by industrial disputes over the

top priority. last year, denting its reputa-tion for reliability and infuriat-ing some of its regular custom-SAS, controlled by Danish. Norwegian, and Swedish interests, lifted third-quarter profits from SKr624m to SKr1.1bn. ers, who have limited alternatives to SAS within the Nordic region.

Mr Jan Stenberg, SAS chief

executive, said regaining cus-

tomer confidence and minimis-

ing the risk of conflicts was a

COMPANIES AND

SAS

350 -

exchange gains of SKr187m but currency losses for the first nine months were still SKr251m. Traffic volumes improved in the third quarter. after a 2 per cent drop in the first half. SAS plans to enter a strate-

period produced foreign

booked a loss of Y1bn (\$993m)

due to the withdrawal of a

Sankyo's sales and earnings

exceeded initial estimates

thanks to cost cuts and sales

joint venture in Thailand.

Sime Darby buys control of UMBC for M\$1.3bn

By Kieran Cooke in Kuala Lumpur

Sime Darby, the Malaysian conglomerate which describes itself as south-east Asia's biggest multinational, has com-pleted lengthy negotiations for the purchase of a controlling interest in United Malayan Banking Corporation (UMBC), the country's fourth largest bank in terms of assets.

Sime Darby says it will pay M\$1.3bn (US\$520m) cash for 60.3 per cent of UMBC's shares. The deal will be financed through a rights issue of 210m new Sime Darby shares and by internally generated funds.

It is buying its stake from Datuk Keramat Holdings (DKH), originally a tin smelting and trading firm which moved into UMBC in 1993. Sime Darby said the acquisi-

tion would enable it to become one of the main players in Malaysia's fast-expanding financial services sector. UMBC is involved in a wide range of financial services, including commercial banking, merchant banking, stockbroking and insurance. The bank has more than 70 branches in Malaysia as well as offices overseas.

Analysts say the UMBC purchase will add financial muscle to Sime Darby's activities. In the past, the conglomerate, whose main activities are trading, manufacturing, plantations and property development, has been accused of being overly conservative and of not using its considerable cash holdings to sufficient

The UMBC deal was first proposed more than six months ago. The price is considered to be low, leading analysts to speculate that Sime Darby has accepted liabilities arising out of share trading losses incurred by UMBC Secu-rities, the bank's stockbroking

Founded in 1960, UMBC has had a chequered history with ownership changing several times. In a mid-80s recession in Malaysia UMBC ran up

It is believed that Bank Negara, the central bank, applied pressure for a change of ownership at UMBC following the discovery last year of questionable loans and other alleged irregularities at the bank.

Among the deals investigated by Bank Negara was an allegation that DKH had indirectly used UMBC funds to purchase a controlling interest in listed George Town Hold-

Last week a subsidiary of George Town, the Millennium Group, announced it was entering the British film industry with the £200m purchase of the Leavesdome Aerodrome film site in Hertford-shire. Mr Mohamed Noor Yusof, UMBC's chairman and a former political secretary to Dr Mahathir Mohamad, the prime minister, has denied wrongdoing at the bank.

CORRECTION Hoechst

investment bank J.P. Morgan advised Hoechst in its acquisition of Marion Merrell Dow, not Lehman Brothers as stated in an article on November 10.

gic alliance with Germany's Lufthansa next year. The strengthening of the Swedish krona during the Cost-cutting helps Japan's drug groups

By Emiko Terazono in Tokyo

Japan's leading drug makers reported solid earnings figures se for the half year to September. Cost-cutting over the past

few years contributed to favourable profit margins and earnings were also helped by the absence of the Ministry of Health and Welfare's biennial cuts in drug prices which were made the previous year.

The hot summer boosted sales of drinks but sales of antibiotics continued to sag due to concerns over "in-house" infections, where illnesses spread within hospitals due to the over-prescription of antibiotics.

For the second half, many companies are projecting a moderate fall in demand ahead of the government's cut in official drug prices next April.

			e arug com to Septemi		95
		Seles Yon	Percentage change	Current profits Yon	Percentage change
Takeda		295.9	4.41	44.4	9.2
Sankyo		206.5	2.2	44.2	2.6
Yamanouci	hľ.	145.2	6.6	30.9	4.8
Eisai		.125.B		19.3	2.5
Taisho		115.9	5.1	33.8	13.2
Shionogi		- 110.4	-2.5	11.0	-0.1
Fuisawa		106.4	-9.4	10.8	-11.5

Mr Toshibide Yoda of UBS Securities expects profits to be moderately strong, although companies may not book sharp profits growth when hospitals and drug wholesalers are facing losses due to the government's crack-down on prices. "Companies seem to be booking special losses to keep the profit growth down," said Mr Yoda.

The government is due to unveil measures involving sharp price cuts for drugs with long life-spans, so affecting the profitability of many companies. The measures are expected to take effect in the next

Takeda Chemical recorded firm sales and profits thanks to strong exports of its gastric ulcer drug and brisk sales of

promotions. The company spent Y7.8bn on plant and equipment during the first half while depreciation expenses totalled Y8.3bn. Yamanouchi saw firm sales

of ulcer drugs but it logged an extraordinary convertible bond loss, amounting to Y18.6bn. Eisai achieved a 6 per cent rise in drug sales but revenues from allergy treatments were

Pujisawa suffered falls in recurring profits and sales due to the termination of an overseas sales tie-up. The company lost Y10.8bn in sales as a

Aegon raises full-year | Mid-west electricity earnings forecast

in Amsterdam

Alegon, the Dutch insurer. made a small upwards revision in its 1995 profit forecast after reporting a 15 per cent increase in third-quarter net profits. This was an improvement on the 12 per cent growth seen in the first six months of the Net profits rose from Fl 285m

(\$178m) to Fl 328m, lifting ninemonth net profits from FI 835.6m to FI 943.3m, slightly above the top end of analysts' expectations, which had ranged from Fl 918m to F) 940m.

The company reported better performances in local currencies in the US, Europe and the Netherlands, with European results in particular substantially higher.

This increase is due in substantial part to a better performance of Scottish Equitable, as well as the increase of our participation in the profit stream of this company from 40 per cent to 60 per cent at the end of 1994," it said.

Aegon added that it now expected growth in full-year results to be "somewhat

figures in

a hurry?

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Competitors

Markets

higher" than 12 per-cent. Previ-ously, it had forecast an increase of between 7 and 12

per cent. The third-quarter rise came despite the negative effect of currency translations caused by the guilder's strength and damage suffered on the Dutch half of the Caribbean island of St. Martin by the hurricanes Luis and Marilyn.

The Dutch insurer calculated the cost of the hurricanes to the group to be no more than Fl6m, thanks to what it described as adequate reinsur-ADDE COVETAGE. It said net profits for the

nine-month period would have been "considerably" higher if had not been for the firmness of the guilder. Turnover in the first three quarters fell by 2.6 per cent from more than Fl 15.9bn to

The decline reflected both currency factors and the decision taken in October 1994 by Aegon UK, the group's London insurance-market operation, to stop writing new business. If turnover is adjusted for these two influences, the nine-month figure would have been 7.3 per

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utilities to merge

The wave of consolidation in US electrical utilities continued with a \$2bn merger between three companies serving the mid-west states of Iowa, Illinois, Minnesota and

The merged company, comprising IES Industries and Interstate Power Company, both of Iowa, and Wisconsinbased WPL Holdings, will be the 34th largest utility in the US, based on revenues last vear of \$2.1bn.

The merger, with a combined market capitalisation of around \$2bn, is smaller than some others already announced, such as last month's \$6.4bn combination of Baltimore Gas and Electric and Potomac Electric. However, it is the first three-way deal in the industry. The companies put estimated cost savings from the merger at \$700m over

the next 10 years. The merger is constructed as a tax-free deal for shareholders. Holders of IES and Interstate Power stock will be issued stock in WPL, which will then be re-named Interstate Energy Corporation.

This is not the first merger in the mid-west. Earlier this year, Wisconsin Energy and Northern States Power came together in a merger worth

Pressure for consolidation in the industry comes from the threat of deregulation, whereby utilities stand to lose their historic monopolies in the regions in which they operate. Although no state has yet introduced competition, all are now free to do so under Federal legislation passed in 1992.

The appeal of mergers between contiguous utilities lies in cost savings. The Baltimore-Potomac merger is expected to save \$1.3bn over 10 years. The \$3.2bn merger of two adjacent utilities in Colorado and Texas, amounced in August, is expected to save \$170m over 10 years.

The chairman of Interstate Energy will be Mr Lee Liu, chairman of IES. Mr Wayne Stoppelmoor, head of Interstate Power, will be vice-chairman. After two years both men will step down, and the chairman's job will go to Mr Errol

Davis, head of WPL. In the

meantime Mr Davis will be

chief executive officer.

Birmingham Midshires

\$150,000,000 Floating Rate Notes 1999

The notes will bear interest at 6.875% per annum for the inte period 9 November 1995 to 9 February 1996. Interest payable on 9 February 1996 ll amount to \$172.81 per \$10 000 note and \$1 728 14 ner

Agent: Morgan Guaranty Trust Company

COMMUNAUTE URBAINE Cad 35,000,000 9 ¹⁰ % 1986/1996

Pursuant to the Fiscal Agency Agreement, dated 20 June 1986 and in accordance with the Terms and Conditions of the Notes as set out in the Offering Circular dated 20 June 1986, notice is hereby given by the Issuer that Banque Nationale de Paris Succursale de Beloique shall cease to act as a Paying Agent in Belgium in the above issue and that Banque Bruselles Lambert S.A., Avenue Marnix 24, B-1050 Brussels (Belgium) has been appointed as its successor Paying Agent with Immediate

Number of the control Fronter No. 6: 111.5 Front | N 12 he period of the period of

The Smancial Times plans to Saudi Arabia of Tuesday, December 19.

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FT Surveys

Mack lifts market share

By Haig Simonian, Motor

Mack Trucks, the US subsidiary of France's state-controlled Renault group, expects to raise its market share for the third year running, accelerating its gradual return to profitability.

Mack, one of the most famous names in the US truck industry, has improved its market share to 12 per cent in the first half of this year, compared with 11 per cent in the same period in 1994. That is still far below the 20 per cent share it commanded in the last 1970s, but represents a steady improvement over its performance in 1991, when its finances were at their weakest.

Mr Pierre Jocou, Mack's chairman since March, said the company planned to improve operating income by \$200m more than forecast in its current five-year plan.

"Our goal over the next sev-eral years will be to achieve a 20 per cent return on assets and a 50 per cent increase in business growth, with a corresponding 50 per cent reduction in waste of all kinds," he told a meeting of Mack managers

of the Rockwell group. The deal, for an undisclosed The company has returned



Mack Trucks: gradually returning to profitability

to modest profitability, after five years of losses, on the back of new models and greatly increased productivity. Mack is now the third-big-gest manufacturer of heavy trucks in the US after Freigh-tliner and Navistar, having increased its heavy truck sales

by 22 per cent to more than 15,200 units in the first half of this year. Dana, the US vehicles components manufacturer, is to buy the Brazilian light axle operations of Rockwell do Brasil an indirect subsidiary

Mr Southwood Morentt.

markets.

chairman, said the Brazilian purchase would strengthen Dana's position in automotive components in south America and leave it better placed to meet likely growth across the

sum, marks Dana's second sub-

stantial axle acquisition in a

week, and follows its purchase

of the European axle group of GKN, the UK auto components

and engineering company.

Dana said the latest purchase was a further step in

expanding its international

activities in big automotive

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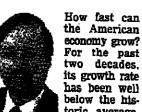
FINANCIAL TIMES

1ARKETS

THIS WEEK

Global Investor / Tony Jackson in New York





the American economy grow? two decades. its growth rate has been well below the his-

toric average. Now, according to various critics. America's productive capacity has been transformed. The economy is ready to take off again.

The Federal Reserve stands accused of bottling up this potential for fear of inflation. But inflation, even on overstated official figures, is no longer a threat.

So why does the Fed not raise its growth targets, slash its rates and let the good times

It seems a seductive notion Whether the financial markets agree is another matter. Most market economists would accept the Fed's implicit judgment that over time, the US economy's natural growth rate is at or just above 2.5 per

Mr Stephen Roach, chief economist at Morgan Stanley, puts it at 3 per cent: but that view, he cautions, is not widely

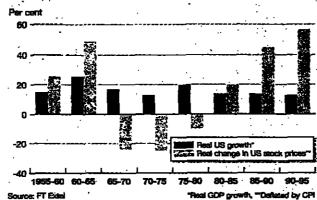
If the authorities were to shift their sights to 3 per cent, he believes, the financial markets would be seriously

Seductive notion or false beacon?

Since the argument turns on the inflation outlook, the issue is inevitably partisan. Perhaps the simplest position is that of captains of industry: many of them, proud of their new-found flexibility in manufacturing and all too aware of their inability to raise prices, see the Fed's caution as perverse. At the political level, the

issue becomes more delicate. It is now commonly argued - for instance, by the Fed's chairman Mr Alan Greenspan - that the consumer price index overstates the rise in the cost of living by between half and a full percentage point (the present CPI rate being about 2.75 per cent). This is not because the index is faulty: it measures not the cost of living as experienced by the consumer, but the change in prices, which is a

This has serious implications for the budget debate. Some government payments, such as social security and Federal pensions, are linked to the CPL Cutting the CPI by a percentage point, it appears, would lop nearly \$300bn off the budget The growth conundrum



deficit by 2002, when the budget is supposed to come into balance.

This is not calculated to appeal to the retired or the unemployed. Nor will it appeal to the markets. In both cases, the distinction between the cost of living and the change in prices is academic. What matters is the threat to returns, whether in the form of welfare payments or interest rates.

Granted, there is the promised trade-off of higher economic growth. But from the markets' point of view, this is of doubtful relevance.

The bond market, in particular, is often accused of being hostile to growth. It is not: it merely fears the inflation which for the past 30 years has accompanied it. Growth itself scarcely matters either

Kenneth Gooding

Platinum under scrutiny

A warning that platinum's prospects were being damped by the rapidly increasing use of palladium in catalysts used to clean car exhaust emissions was delivered by Mr Michael McMahon, chairman of Impala Platinum, the world's second largest producer.

We will have a much clearer idea to what extent palladium has been benefiting at platinum's expense when Johnson Matthey, the world's biggest platinum marketing group, publishes its interim review of the 1995 market

on Tuesday.

South Africa is the biggest platinum producer and Russia dominates the palladium market but recently has been digging deep into its stocks to keep the market adequately

Analysts suggest Russia remain concerned in case the palladium price rises too far and consumers will be encouraged to find and use substi-

platinum reached a record 4.5m troy ounces last year and

its previous report, six months ago, hinted that even more of the metal would be sold in 1995. Palladium demand also broke records in 1994 at 4.85m On Wednesday the World

Gold Council, a promotional organisation financed by some producers, will present its review of trends in the physical gold market in the third quarter. Analysts suggest demand has been strong, particularly in Asia and the Mid-According to JM, demand for dle East, but it remains extremely price sensitive and

GIORGIO ARMANI

LE COLLEZIONI

buying dries up as soon as the gold price rises by a few dollars an ounce. • Meanwhile, business in

minor industrial metals has been slow because many market participants were last week at a ferro-alloys conference in Tuscon, Arizona, and this week are moving on to another at Monte Carlo, this time organised by Metal Bulletin.

Also this week, in Libreville. Gabon, the InterAfrican Coffee Organisation is to hold a meeting that starts tomorrow and continues until Saturday.



	US	· Japan	Germeny	France		_
Cash	·. · .		· .			
Week	0.11	0.01	0.08	0.12	. 0.20	0.13
Month	0.49	0.04	0.34	0.64	0.87	0,57
Year	6.63	2.75	.5.56	6.33	9.88	7.31
Bonds 3-5 y	ear '					:
Week	0.01	0.45	0.58	0.36	0.29	0.44
Month	1.17	0.55	1.42	2.21	1.27	1.72
Year	13.82	13.82	13.94	12.29	13.90	13.29
Bonds 7-10	yeer			· :		· · · · ·
Week	-0.18	0.31	0.65	0.23	0.28	0.38
. Month .	. 1.41	0.03	2.13	3.47	2.07 .	. 2.51
Year	20.57	18.11	15.80	15.73	14.00	14.99
Equities						
Week	0.6	0.7	0.2	1.0	-29	0.5
Month	2.7	-1.9	0.4	2.9	-4.8	0.9
Year	81.1	5.4	4.0	- <u>-0.2</u>	82	18.2
Course Proch &	Secrete - 1 admir	n Amehon		Eczátlas	C Nativiosi:	Securities.

Even for equities, growth is not the beacon it might appear. As the chart suggests, there is a poor correlation historically etween economic growth and the performance of the stock market. Compare, for instance, the two five-year periods 1960-65 and 1990-95. The growth

rate in the first period was

double that in the second: but

China's econ-

omy should

have grown

than it has.

Since it has

apparently expanded at

an annual

still

average rate of 9 per cent

since 1978, this statement

must appear laughable. But

even China's growth has been

held back by the waste of

resources in its state-owned

enterprises (SOEs), which con-

tinue to absorb some three

Between 1982 and 1992, the

share of the state sector in

industrial investment fell

modestly, from 86.5 to 74.3 per

cent, while its share in output fell sharply, from 74.4 to 48.1 per cent (and then 43.1 per

cent in 1998). Despite their dis-

proportionate access to funds

for investment, the increase in

the real output of SOEs was

trial expansion between 1989

and 1993, when the compound

annual growth in SOE output was 7.4 per cent, against 31

fifths of fixed investment.

in the second, the real value of

stocks rose faster.

accelerated to 100 per cent, and the real value of stocks rose a The lack of correlation with growth, in particular, is easily explained. What matters for

Inflation is not much of a

guide either. Over the decade

1965-75, inflation totalled 70 per

cent and stocks lost two fifths

of their real value. During the

following decade inflation

the stock market is not the

level of growth, but the proportion of growth which is retained by corporations in the form of profit. The present ratio of profits to GDP, at about 10 per cent, is the high-

This has largely come at the expense of the workforce. New technology and restructuring, with their associated lay-offs, have favoured the providers of capital more than the providers of labour.

est for over 15 years.

From a corporate viewpoint, as Mr Roach of Morgan Stanley observes, the growth rate in this cycle, while unusually low, has also been uncom-

monly cost-effective. Meanwhile, the frustration of politicians is understandable. For two decades growth has

stalled, and the average standard of living in the US has if anything declined. The conclusion is obvious. Get growth going again and the problems are solved: if the

markets do not like it, hard It will not work that way. in

the first place as Mr Robert Rubin, the Treasury secretary,

pointed out last week, the cost of money throughout the US economy is in large part determined by the Treasury bond yield. Even if the Fed made an aggressive effort to cut the cost of borrowing, interest rates would be determined by the US government's creditors.

Second, it is not at all clear that the Fed has the power to increase the growth rate. The chief function of monetary policy is to manage the business cycle. This does not mean it can work across cycles.

Holdings

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Mr Wayne Angell, chief econ omist at Bear Stearns - and a former Fed governor - argues that the first duty of the central banker is that of the doctor under the Hippocratic oath:

Monetary policy can cortainly slow growth down, as it did by promoting stagilation in promoting growth, its chief task is to avoid recessions.

This in turn means not over stimulating the economy. Growth, Mr Angeli says, does not cause inflation: monetary stimulus does. Stepping on the accelerator now means slamming the brakes on

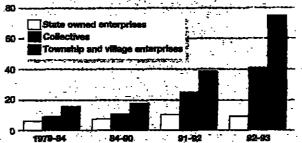
In the long run, the advocates of growth may be on to something. In practical terms. as dictated by the markets, they will have to wait theis

COMMODITIES

Economic Eye / Martin Wolf

China's socialist market economy

Some public enterprises are better than others China: annual growth rates by ownership type, %



per cent in non-SOEs. The World Bank estimates that, between 1985 and 1992. non-SOEs required on average, less than a third as much investment as SOEs to achieve equivalent industrial output. This discrepancy does not solely reflect concentra-tion by SOEs in capital-intensive industries. SOEs had higher ratios of fixed assets to net output in all but two of 40 industrial sub-sectors.

How can a country in which the relics of socialism continue to be so wasteful have performed so well? At least five answers can be offered:
• the officially estimated investment rate has varied been 33 and just above 40 per cent of GDP in the 1990s. enough to finance vast investments within SOEs and leave plenty over for non-SOEs: China has unlimited sup-

plies of cheap labour: China can also exploit the gap between its own low They have almost no discre-

 even SOEs are being disciplined by market competition; and non-SOEs have been incredibly dynamic. In just four years, between

Source: World Hank, Europuprate in Brighte

1989 and 1993, the industrial output of non-SOEs rose by 193 per cent, a performance that can have no historical parallel. But it creates another puzzle. Why were non-SOEs so dynamic when the majority were collectively owned or run by townships and villages? In China, it appears, it does not matter whether an enterprise is publicly owned, but which level of government controls it. The share of township and village enterprises (TVEs) in industrial output, in particular, rose from 13 per cent in 1989, to 24 per cent in the first nine months of 1995.

bees: they fly, but how? An illuminating paper by William Byrd and Alan Gelb compares China's townships and villages to micro-states under free trade.* Goods flow freely across their borders. but not labour and capital.

These TVEs are like bumble

productivity and higher pro- tionary power to tax and are ing. Some 70m rural people, a sixth of the labour force, now seek work elsewhere, but as temporary migrants, not permanent emigrants. Hitherto, village populations have been immobile in the longer term.

TVEs operate under competitive pressure and the hardest of budget constraints. Not only are local communities unable to afford subsidies, but as much as 90-95 per cent of their revenues - as well as the privileges and pay of local offi-cials - come from TVEs. Equally, the ability of individual TVEs to invest depends on their profitability.

Day-to-day direction is typically given to managers, through a "management responsibility contract". But these managers work under the supervision of the TVE's effective owners, the community government, representing the population, which has a big stake in its success. This direct interest of local officials is helpful in a country without secure property rights.

These conditions for the achievements of TVEs hardly the World Bank, 1990).

appear replicable elsewhere. Where else might it be possible to turn local governments into conglomerate businesses? For all their successes, TVEs do have drawbacks. One is the clash between the regulatory and entrepreneurial functions of government. It can be no accident that pollution by TVEs has become worrying. Another is the limitations they impose on the transfer of capital and entrepreneurship across jurisdictions. Rich communities power ahead. Backward ones fall ever further behind, a pro-cess made worse by the temptation of poorer communities towards fiscal predation upon

their already sickly TVEs. The "shares" in these community conglomerates are implicitly owned by a local population bound together by ties of family and of residence. As people start to move more freely around the country. capital with them. The alignment of interests within the community will then also tend

China's uniquely successful social ownership seems to depend on the continued stability of its rural life. But it is hard to believe that even the Chinese state could sustain tight control on movement throughout the rapid developlonger run, private ownership would seem unavoidable, with the flexibility it alone can give to the lives of both individuals and enterprises.

China's TVEs are indeed an economic wonder of the world. The country would be much better off if its SOEs operated under the same fierce disciplines. But people should visit the TVEs soon. They seem unlikely to endure forever. * William A. Byrd and Alan Gelb, "Why Industrialize? The Incentives for Rural Community Governments", in Byrd and Lin Qinsong, eds, China's

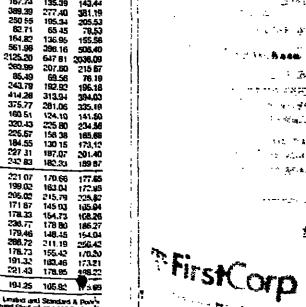
Rural Industry (New York:

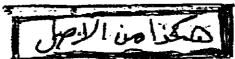
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tria (27)		-6.6	160,70	108.69	125,37	125.28		1.34	171.78		110.32	126,48	128.37	191 01	157.95	169
gium (35)		16.0	183.86	124,36	143,44	139.81	5.8	3,74	195.16		125.33	143.68		199.28	167,48	180
zi (28)		-20.4	122.18	82.64	95,32	229.72	-0.7	1.83	134,40		88.31	98.94	140.20	201.12	164.78	15
ada (100)		12.0	136.41	92.26	108,42	141.88		2.60	144.79		92.99	106.60	237.78	188.35	86 06	18
merk (33)		11.4	263.97	178,54	"205.B4			1.56	280,98		180.46	206.86	142.12	150,83	121 81	13
	224.74	20.9	211.51	143.06	165.01	200.14		1.60	226.64		145.55	166.65	210.07	295.99	236.61	24
nco (100)		8.5	167.04	112.98	130,32	135.74		3.23	178.35		114.54	131.30		27B.11	171 13	18
many (58)		10.7	149,30	100,96	116.48	116.48		2,06	159,51	149.82	102.44	117.43	136.63	191.17	157 78	17
ng Kong (55)		10,8	339,99	229,95	265.25	358.65	10.7	4.08	384.02		233.79		117.43	167.74	135.39	14
rd (16)		20,9	234.66	158.71	188.07	217.71	15.7	3.48	250,55		160.91	268.01	361.47	389.39	277.40	38
/ (58)	69.75	-7.4	65.65	44,40	51 <u>.22</u>	83.15	-8.8	1.83	70.40		45.22	194.46	218.70	250 55	195.34	20
eri (483)		-8.9	124,59	91,03	105.00	91.03	-8.0	0.84	141.97		91.18	51.83	83.86	82.71	65 45	
ayata (108)		-8.5	408,34	276,18	318.57	423.23	-10.2	1.95	436.42		280.28	104,52	91,18	164.82	136.95	15
doo (18)herland (19)	858.57	-39,4	808.03	548,51	630.39	7242.18	-5.0	1.92	822.40		528.17	321.30	426.08	561.98	296.16	50
herland (19)	255.08	17.6	240,05	182.35	187,28	184.13	7.2	3.55	253.63			605.46		2125.20	647 81	
Zealand (14)	.81,35	15.5	76.56	51,78	59.73	86.18		4.38	80.90		162.89	188.73	183.90	263.99	207.60	21
way (33)	225,45	5.8	212.18	143,51	165.58	180.90		2.19	226.05		51.96	59.56	65.96	85,49	69.56	- 7
	364,69	-22	349,23	232,14	267.77	237.33		1.74	368.81		145.17	166,42	191.64	243.79	192.92	18
th Africa (45)	375.77	11.8	363.66	239,19	275.91	298.53		3.91	378.08	346.40	236.80	271,53	240.15	414,28	313.94	
án (38)		128	140.06	94,73	109.27	137.40		4.14		-	240,89	276.14	298.25	375.77	281.06	35
oden (47)		32.0	287.03	194,13	223.93	299.99		2.00	149.37	140.29	85,93	109.97	138.20	160.51		3.
tzeri9nd (41)		36.2	211.76	143.22	165.21	158.69			307.02		197.18	228,04	302.82	320.43	124.10	
Band (46)		-5.7	140.31	94.90	109.47	145.25		1.67	225.57	211.86	144,87	166.07	159.69		225 80	
ed Kingdom (206)	223.83	14.9	210.68	142.48	164.35	210.66		2.80	151,53	142.32	97.32	111,58	147.99	225.57	158 38	16
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	184,06	14.9	182.64	123,53	142.49	162.49		3.12		207.63	141.97	162,75	185.83	221 07	130.00	
d≨¢ (138)	277.37	23.6	261.04	176,65	203,65	233.90		1.88	194.98	183.13	125.22	143.55	163 39	199.02	170.68	1
lfic Basin (832)	152,72	-7.0	143,74	97.21	172.14	100.94	1171	1.29	278.95	261.99	179.15	205.38	235.87	205.02	163.04	17
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th America (604)		28.4	222.58	150.54	173.65	235,79		216	169,80		109.05	125.01	124.68	171 87	145 93	16
ope Ex. UK (531)		14.8	163.60	110.65	127.63	136.28		2.44	236.77	222,38	152.06	174.31	236.08	178.33	154.73	15
tito Ex. Japan (349)		33	291.58	156.63	180.67	217.17		2.55	174,44	163.83	112.03	128.42	137 08	236.7	178 80	18
nd Er. US (1760)		21	180.80	108.76	125.45	127.85		3.39	247,43	232.39	158.90	182.16	218.50	179.46	148.45	15
1d Ex. UK (2058)		11.1	178.69	120.88	139.41	155.93		221	170,79	160.41	109,69	125.74	128.34	266.72	211.19	21
	220.64	20.2	207.66	140.45	162.00	205.38	9.1	2.10	189.78	178.24	121.88	139 71		178.73	155.42	17
							17.5	2.77	221.23	207.79	142.08	162.88	156.35	191.32	183,46	17
World Index (2264)	192.84	11.4	181,48	122.75	141.59	180,79	9.5	2.30	192.88				208.06	221.43	179.95	19
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JOINT ANNOUNCEMENT



Impala Platinum **Holdings Limited**

(Inco: porited in the Republic of South Africa)
(Registration number 57/01979/06) ("Implats")



(Registration number 01/01/232/06) ("Gencor")

Purchase of Western Platinum Limited ("Westplats") and Eastern Platinum Limited ("Eastplats") (collectively "LPD" or "Lonrho Platinum Division")

1. INTRODUCTION

On 20 June 1995 it was announced that agreement in principle had been reached to combine the operations of Implats with the platinum mining interests of Lonrho Plc ("Lonrho"). In that announcement it was stated that "full due diligence investigations will be conducted prior to entering into definitive agreements."

A satisfactory due diligence exercise on each other's operations has now been completed by both parties and purchase agreements were signed on 10 November 1995. In terms of these agreements Lonrho and Maiden Resources Limited ("Maiden") will sell their 72,59% and 0,41% interests in LPD for 29 431 127 Implats shares and 148 428 Implats shares respectively. In addition Lourho will cede to Implats its claims on loan account against LPD amounting to R262,8 million. The purchase agreements are subject to the fulfilment of the conditions precedent as set out in paragraphs 4.1.5 and 4.2.4 below.

The effective date for the purchases is 1 July 1995.

2. RATIONALE AND PROSPECTS

The purchase of the LPD operations by Implats and the subsequent amalgamation of the two operations will result in an organisation:

- that is extremely cost-competitive in the current market
- that is capable of expanding without significant capital expenditure, should market conditions warrant it:
- that has the flexibility to develop different orebodies under different market circumstances;
- that will realise significant synergies through:
- rationalisation of the smelters;
- savings in the refining operations; and
- inter alia, such activities as joint research and development

The synergies arising from the transaction have been confirmed by an independent technical team.

In summary, the new group will realise significant benefits that will improve its operating flexibility and cost-competitive position and that will enhance the value of the shareholders' interests in the new

3. INFORMATION ON LPD

LPD owns and operates three platinum mines (Western Platinum mine and Karee mine, both being divisions of Westplats, and Eastern Platinum mine), a smelter complex and a base metal refinery in the Marikana district of the North-West Province, east of Rustenburg, and a precious metal refinery at Brakpan, Gauteng Province. LPD is the third largest platinum producer in the western world with an output of approximately 560 000 ounces for 1995. It is a low cost producer at approximately R810 per onnce of platinum group metals for 1995.

Whilst the Western Platinum and the Eastern Platinum mines were founded by Lonrho, the Karee mine was acquired from Implats in 1989 in return for shares in LPD. As a result, Implats currently holds 27%, of Westplats and Eastplats which will, subsequent to the purchases, result in Implats holding 100% of LPD.

4. DETAILS OF THE VENDORS

The vendors of Lonrho Platinum Division are:

Name	Note	Address	Current shareholding in LPD
Lonrho	1	4 Grosvenor Place London SW1X 7DL	72,59%
Maiden	2	222 Elizabethan Square Block D Grand Cayman Cayman Islands	0,41%

Notes:

- (1) Lonrho is a public company listed on both The Johannesburg Stock Exchange ("the JSE") and The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the LSE").
- (2) The sole shareholder of Maiden is Indian Island Trust.

4.1 The Lonrho purchase

4.1.1 The Lonrho purchase consideration

The basis for calculating the total purchase consideration was the relative value of the Implats and the LPD operations to each other.

Based on this calculation Implats will issue 29 431 127 new Implats shares to Lonrho in consideration for the cession of its shareholder's loans of R262,8 million to LPD

and for the purchase of its 72,59% interest in LPD. On 8 November 1995, the last practicable date prior to publication of this announcement, Implats shares traded at R77,50 per share, placing a value of R2 280,9 million on the Lonrho purchase consideration. This results in a premium of R576,6 million over the attributable net asset value of LPD at 31 March 1995.

In accordance with the accounting policies of Implats the difference between the purchase consideration and the fair value of the acquired assets will be set off against non-distributable reserves.

Subject to the issue of the new Implats shares to Lonrho, Lonrho has undertaken to sell such number of Implats shares to Gencor that the number of Implats shares owned by Gencor subsequent to this sale will be equal to the number of implats shares owned by Lonrho.

4.1.3 Warranties

As a consequence of the due diligence exercise the parties will not be required to give warranties for this transaction other than that they have made full disclosure of all material information relating to the merger.

4.1.4 Restraint

Lourho has undertaken that it will not, directly or indirectly, be involved in any business primarily concerned with mining, production, processing or sale of platinum group metals, other than through implats.

4.1.5 Conditions precedent

The Lonrho purchase is conditional upon fulfilment of all

- the approval by shareholders of Implats;
- the approval by shareholders of Lonrho; the approval from the European Commission; and
- obtaining a satisfactory legal opinion to the effect that the obligations of Gencor in terms of the put option set out in paragraph 8 below are legally valid and binding obligations and are enforceable.

4.2 The Maiden purchase

4.2.1 The Maiden purchase consideration

The basis for calculating the total purchase consideration was the relative value of the Implats and the LPD operations to each other.

Based on this calculation Implats will issue 148 428 new Implats shares to Maiden in consideration for the purchase of its 0,41% interest in LPD. On 8 November 1995, the last practicable date prior to publication of this announcement, implats shares traded at R77,50 per share, placing a value of R11,5 million on the Maiden purchase consideration. This results in a premium of R3,3 million over the attributable net asset value of LFD at 31 March 1995.

In accordance with the accounting policies of Implats the difference between the purchase consideration and the fair value of the acquired assets will be set off against non-distributable reserves.

4.2.2 Warranties

- Maiden has warranted in the Maiden purchase
- upon delivery of the share certificates representing its interest in LPD, and duly completed transfer forms, ownership of those shares will pass to Implats; and
- all the shares in LPD which it owns are free of any cession, pledge, lien, hypothec, notarial bond or encumbrance and of any other security, interest or right of retention or pre-emption.

4.2.3 Restraint

No restraint of trade agreement has been entered into with Maiden.

4.2.4 Condition precedent The Maiden purchase is conditional upon the Lonrho

5. FINANCIAL EFFECTS OF THE PURCHASES The effect of the purchases on the earnings and net asset value per Implats share, without taking into account any synergies arising

purchase agreement becoming unconditional.

from the purchases, based on the assumption that the purchases had been effective on 1 July 1994, are as follows:

	Notes	Before	After	% Change
Implats shares in issue (m)		62,2	91,8	47,6
Earnings per Implats share (cents)	1	425	414	(2,6
Net asset value per Implats share (cents)	2	4 641	4 992	7,6

- (1) The figures for earnings per Implats share are based on Implats' audited results for the financial year ended 30 June 1995, and LPD's results for the twelve months ended 31 March
- (2) The figures for net asset value per Implats share are based on Implats' net asset value at 30 June 1995 and LPD's net asset value at 31 March 1995.

6. CHANGE OF CONTROL AND RULING OBTAINED FROM THE SECURITIES REGULATION PANEL ("the SRP")

Currently, Implats' controlling shareholder is Gencor. Subsequent to the purchases implats will be jointly controlled by Gencor and Lonrho through a voting pool arrangement. Gencor and Lonrho will each have a 31,8% interest in the enlarged Implats.

Dispensation has been granted by the SRP to Gencor and Lonzho, as concert parties, from making an offer in accordance with the provisions of the Securities Regulation Code on Takeovers and Mergers ("the code") to the minorities in Implats, on the basis that a special resolution is required to be passed at the general meeting of Implats shareholders to increase its authorised share capital so that the purchases can be implemented. In terms of rule 8.7 of the code a majority of independent shareholders of Implats may, by resolution, waive the minority offer and the SRP has ruled that, by voting in favour of the special resolution required for the increase in authorised share capital, the minority Implats shareholders will be dispensing with the requirement that an offer be extended by the concert parties.

7. NEW IMPLATS SHARES

In order to effect the purchase of the LPD operations Implats will issue 29 579 555 new Implats shares. Such new Implats shares will rank pari passu in all respects with the current listed Implats shares save that the new implats shares will not rank for any dividend declared by the company for the year ended 30 June 1995. The new Implats shares will not be available to the public. Share certificates for the new Implats shares, which will be in registered form, will be issued seven business days after the fulfilment of the

Application has been made to the Committee of the JSE for the listing of the new Implats shares. Application has also been made to the LSE for the new Implats shares to be admitted to the Official List of the LSE. Such admission will become effective and dealings in the new Implats shares on the JSE and the LSE will commence once all conditions precedent have been fulfilled.

Over a period of several years, it has become public knowledge that Chief Edward Lebone Molotlegi of the Bafokeng tribe has expressed dissatisfaction over certain mining rights arrangements which Implats has in the Bafokeng areas. Implats has recently sought and obtained reconfirmation from senior counsel that its title will prove secure in the face of potential litigation.

On the strength of this legal opinion the Gencor board has agreed to grant to Lonrho the right to put its interest in the merged Implats to Gencor, not later than 31 December 2002 (at a price not greater than the equivalent of R74 per share) for either cash or Gencor shares, at Gencor's option, in the unlikely event of Implats losing its right to mine the Bafokeng areas.

9. OPINION OF FIRSTCORP MERCHANT BANK LIMITED

FirstCorp is of the opinion that the terms and conditions of the purchase agreements are fair and reasonable to the shareholders

10. SALIENT DÄTES AND TIMES

1995 Circular to shareholders posted on Monday, 13 November Last day to lodge forms of proxy (10:00) Monday, 4 December General meeting of shareholders (10:00) Tuesday, 5 December Results of general meeting published Wednesday, 6 December

11. DOCUMENTATION

A circular containing full details of the proposed purchases, and incorporating a notice of a general meeting of Implats' shareholders, will, subject to the approval of the JSE and the LSE, be sent to Implats' shareholders on Monday, 13 November 1995.

Johannesburg 10 November 1995

In South Africa

Merchant Bankers

Attorneys

Sponsoring Brokers

In the United Kingdom

FirstCorp











Englander of the Last National Bank Group

Volatility of peso pushes foreign fund managers to the sidelines

nvestors expect a measure centred on how the currency of sanity to return to Mexico's financial markets this week following a surprise central bank intervention last Thursday that arrested the peso's collapse and halted panic selling on the stock exchange.

Trading on the Bolsa, however, is likely to remain lack-lustre until the end of the year because of the continued gloomy outlook for the economy and the fright investors took at Mexico's second currency crisis within a

"Most emerging market funds are likely to remain on the sidelines until the start of 1996," said Ms Karen Miller at Latinvest Securities in New

Some funds have already closed their books for the year. while others have prefered to stay liquid, building cash reserves for January," she

Fund managers in Europe said the recent volatility of the peso had made investing in Mexican equities "messy and very risky", particularly in the absence of any signs of an eco-

nomic recovery. They believed, however, that some investors might be tempted to hold short-term positions in blue-chip stocks. In Mexico, most attention is

market will behave in the wake of the Bank of Mexico's intervention last week. Finance ministry officials do not rule out another attack on the peso, but they hope the threat of sporadic central bank action will deter speculators.

The presentation of the 1996 budget to Congress on Tuesday is expected to hold few surprises, as Mr Guillermo Ortiz, the finance minister, made public its broad outlines in

The budget is expected to

include tax breaks for invest-ment and further cuts in government spending. Mr Ortiz has forecast economic growth at 3 per cent for 1996, although some private sector economists believe even this modest goal will remain in doubt until the exchange rate and interest rates stabilise. Most forecasters expect the economy to contract by between 6 and 7 per cent

this year. The government's decision to use central bank reserves to defend the peso - after it had fallen to an all-time low of 8.30 against the dollar on Thursday and a stiff rise in interest rates had failed to arrest its decline marked the first departure from an orthodox stabilisation plan which had been followed to the letter since its introduc-

The central bank's intervention was greeted with relief. although some bankers and economists were angry that the finance ministry and Bank of Mexico, which bear joint responsibility for exchange rate policy, had not acted sooner to halt the peso's decline.

One senior finance official admitted the delay was due to disagreements between the ministry and the central bank. "The central bank was reluc-tant to intervene because of the risks of defending the cur-

rency with limited reserves," he said. "In retrospect, we should have acted sooner. For the past month, the Mexican economy had been held hostage to the tyranny of the currency market - a small, restricted trading arena which, in times of volatility, can be manipulated with as little as

offer the following explanation for the inance ministry officials loss of confidence in the peso: Towards the end of September, brokers and speculators went short in equity and in pesos -selling stocks and currency they did not have in the hope of buying them at a cheaper price at the time of delivery. The short positions grew to

as much as \$1bn by the middle

of October - an amount equal to about 10 times the average daily trading volume on the Bolsa. It therefore became expedient to manipulate the stock market and the peso to bring about their fall.

While it is true that unsubstantiated rumours of military coups and ministerial resignations did affect trading, finance officials are more hard-press to explain why the markets should have been so impres-

Once panic had set in, however, the currency market proved immune to the orthodox medicine applied by the Central Bank: A 10-point rise in interest rates, which brought the annualised return on short-term Treasury bills to above 54 per cent last week, failed to halt the peso's fall. if anything, the rise in interest rates proved counter-pro-

Foreign investors took the very high yields on T-bills to reflect the risks still inherent in investing in Mexico. Mexicans interpreted the rise as a harbinger of more economic turnoil. Analysts worried that high interest rates would stifle any fledgling economic recovery, while the banking sector cursed a measure that was likely to weaken its portfolio by accelerating the number of loan defaults.

When the peso reached 8 to the dollar, a 25 per cent fall since September, there was a risk that corporations with dollar debts would begin to default on their obligations. It suddenly became clear to the government that the bout of volatility in the financial markets was threatening to derail

lthough traders believe A the heterodox mix of high interest rates and occasional Bank of Mexico forays into the currency markets will stabilise the peso, the deci-sion to adopt a "dirty float" is

their economic programme.

The Bank of Mexico's ability to defend the peso is con-strained by the fact that most of its \$14bn of currency reserves - about two months worth of imports - have been borrowed from the International Monetary Fund and US Treasury on condition that it meet strict quarterly foreign

currency reserve targets.
"The markets know that the Mexican economy remains vulnerable and that our threshold of pain is low," a finance ministry official said.

"It is an environment that is ripe for speculators. The only thing we can do right now is to stick to our economic policies and hope that reason will pre-

Philip Gawith

bourse. This follows a gradual reduction in the buying of Korean

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Seoul shudders to virtual standstill

South Korea

Indices rebased

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once their foreign investment

at the weekend that he had

secured evidence that some businesses had bribed Mr Roh,

with the suggestion that at

least 10 leading executives

rities in Seoul. Investor atten-

tion will focus on industrial

groups closely associated with Mr Roh, including Daewoo,

"The market sentiment is

The market may take a fur-

quota are filled.

could face charges.

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220 tex Japan)

he political scandal involving former President Roh Tae-woo's \$850m slush fund has put paid to recent predictions that the Seoul stock market was entering a bullish period after a dull

Instead, the market has shuddered to a stop. The general share index closed Saturday at 976.30, a modest decline of 24 per cent since the slush fund was revealed three weeks

Investor confidence has been dampened as prosecutors question the country's leading busimen to determine whether they bribed the former president in return for government contracts during his 1988-1993

Trading volume has been light as cautious investors retreated to the sidelines to wait and see whether some owners of Korea's biggest conglomerates will be indicted for bribery.

Investor deposits with securities houses, a key indicator of future market performance, has fallen from this year's average of Won2,700bn to below Won2.400bn last week.

Foreign investors are retreating from the market, with a net outflow of Won71.2bn so far this month, because of wor-ries that the Roh scandal will have an adverse impact on the Sunkyong, Dongbang and But the market may recover

once the prosecution fully reveals the results of its interrogation of business leaders, which could come as early as the end of the week. This could clear many conglomerates of bribery suspicions and improve investor confidence.

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YU MIAUS

The growing scandal has distracted investor attention from the good fundamentals that led many analysts to predict that the stock market could soon exceed its previous record high of 1,145.01 points set on November 9 1994. The main reason for optimism is the pos-sibility of increased liquidity stocks by foreigners since July, when the foreign investment celling in listed shares was flowing into the market, an important consideration in raised from 12 per cent to 15 Korea's capital-scarce econper cent. The cooling of overseas interest reflects the una-vailability of blue-chip stocks

Heavy industrial investments over the past 18 months have robbed the market of funds. But the period of robust ther slight tumble this week industrial expansion appears after the chief prosecutor said

to be coming to an end.
One probable means to boost the market would be raising the foreign investment ceiling in listed shares by 2 to 5 percentage points in the hope of attracting liquidity from abroad.

poor and the worst is not by any means over," said Mr Eugene Yun of Schroders Secu-But if the bourse rises unaided, foreign investors who not already in the market will once again have the frustrating experience of being unable to join the bull run due to the

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CURRENCY MARKETS Markets focus on US budget

The initial focus of the foreign exchanges this week is likely to revolve around the US budget battle, with the unthinkable prospect of the US government defaulting on its debt if no solution is

Markets have so far been fairly sanguine about prospects of an agreement being reached. but if this proves wrong, and a default ensues, the dollar is sure to be sold heavily as investors indicate their displeasure at this threat to good eco-

The other important news event with the potential to affect the dollar will be the APEC meeting in Osaka,

Within this gathering, Mr Ryutaro Hashimoto, the Japanese trade minister and Mr Mickey Kantor, his US counterpart, are expected to discuss the vexed issue of whether or not to renew the semiconductor agreement which guarantees market share to foreign imports into the Japa-

agreement when it lapses next increases and spending cuts in year, while Japan has said it has no such intention. Observers believe that a high

profile dispute is unlikely, but any sign of renewed trade tensions will probably unsettle the dollar. Trade tensions between the two countries was a key factor

behind dollar weakness in Another country in the spotlight will be France, where a fiscal debate will shed light on

what balance the government

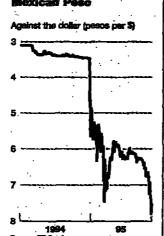
plans to strike between tax

attempting to instil greater fiscal discipline.

In the UK, the public sector borrowing figures will be watched with more than usual interest, given the proximity of the budget later this month. This should provide an indication of how much room the chancellor enjoys for tax

The trend in the dollar, however, is likely to prove more important for sterling than anything which emerges from the economic data.

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		Week on week		Month on month		Year to det	
index	10/11/95	Actual	Percent	Actual	Percent	Actual	Percent
World (360)	136.87	-2.35	-1.69	-9.11	-6.24	-21.17	-13.39
Latin America					_		
Argentina (23)	74.82	+0.53	+0.71	-4.69	-5.90	-11.29	-13.11
Brazii (22)	177.41	-1,27	-0.71	-16,05	-8.30	-31.97	-15.27
Chile (15)	178.83	-6.76	-3.64	-5.71	-3.10	-32,73	-15.47
Mexico (24)	61.28	-1.89	-2.99	-8.33	-11.97	-36.35	-37 <i>.2</i> 9
Peru (15)	808.78	-131.77	-14.01	-204.39	-20.17	+39.89	-4.70
Latin America (99)	108.66	-2.52	-2.27	-10.58	-8,87	-30.11	-21.70
Europe							
Greece (20)	98.31	-0.86	-0.86	-4.03	-3.94	+11.32	+13.01
Portugal (23)	116.87	-2.03	-1,71	-0,09	-0.08	+0.59	+0.51
Turkey (21)	96.38	-5.46	-5.36	-5.44	-5.35	+20.27	+26.64
South Africa (33)	148.00	+4.16	+2.89	+7.59	+5.41	+20.05	+15.67
Ешторе (97)	119.42	+1.82	+1.54	+3.76	+3.25	+21.72	+22.23
Asia							
Indonesia (32)	137.02	-5.00	-3.52	-5.80	-4.06	+3.34	+2.50
Korea (23)	148.68	-3.78	~2.48	-5.32	-3.45	+8.80	+6.29
Malaysia (22)	207.63	-2.05	-0.98	-13.77	-6.22	-3.23	-1.53
Pakistan (16)	72.50	-2.29	-3.06	-11.82	-14.02	-33.70	-31.73
Philippines (15)	237.04	-9.95	-4.03	-25.28	-9.64	-45.09	-15.89
Thelland (26)	233,46	-9 .15	-3.77		-9.64	-18.18	-7.23
Taiwan (31)	121,21	-3.68	-2.95	-16.20	-11.79	-62.94	-34.18
Asia (163)	192,51	-5.10	-2.58	-16.01	-7.68	-18.11	-8.60
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ge (rounded) against four key currencies on Friday, November 10, 1995 . In some cases the rate is nominal, Market rates are the average of buying and selling rates excess?

Emerging Stateside



TEL: (301) 3: FAX: (301) 3:	311456 - 252241 -		PIEL TEL	ENS STOCK EXCHANGE JTERS PAGES: ATGG-H-I ERATE PAGES: 17890-1-2	
ATHENS STOC	K EXC	HANGE 3 Nov - 10	Nov '95	G	REECE
				GDP (USD bn)	108.65
ASE INDEX	906.38	P/E 95e (after tax)	13.7	Per Capita Income (USD)	9,810
"Chg (Prev. Wk)	-0.67	P/E 94 (after tax)	16.D	Inflation Rate (% Y.O.Y, October 95)	8.30
Yearly High	998.75	EPS GROWTH (%) 95e	26.5	12 month T-bill (%, end of October issue)	14.00
Yearly Low	782.22	P/CE 95e/94	7,4 / 9,8	1-month Athibor (%)	15.63
WEEKLY VOLUME (USD m)	175.69	P/SV 95e/94	3.4/3.3	GRD-USS	233.23
Chg (Prev. Wk)	-0.18	Div. Yield (%) 95e/94	5.0 / 4,4	A.S.E. Market Capitalisation - (USD bn)	17.10
1 Y WA Ang. (USD m)	96.34	1		IPOs & Flights Issues (USD m Jan 95-10 No	

This announcement appears as a matter of record only.



THE REPUBLIC OF MAURITIUS

U.S.\$150,000,000 Floating Rate Notes due 2000

Issue Price: 100 per cent.

HSBC Markets

Lehman Brothers

October 1995

BNP Capital Markets Limited

Bank Bumiputra Malaysia Berhad,

Crédit Lyonnais Euro-Securities Ltd DG BANK

Daiwa Europe Limited Dresdner Bank Merrill Lynch International Limited

J.P. Morgan Securities Ltd. Nomura International





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Floating Rate Notes due 1998

of 6.45% per annum. The Interest Amounts payable will be U.S. \$168.42 per U.S. \$10,000 Note and U.S. \$1,684.17 per U.S. \$100,000 Note. The Interest Payment Date will be 12th February, 1996.

Company, London

Agent Bank

HAY & ROBERTSON PLC lotice is hereby given that in a Petitic recented to the Court of Session, Edinburgh (

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LONDON

Deadlock

between the

to break out of its recent narrow

bulls and bears

will give the FT-SE 100 Index a chance

earnings and unemployment numbers will all give clues to the level of UK

inflationary pressures. Nevertheless

few people expect any interest rate

Lisa Bransten

EQUITY MARKETS: This Week

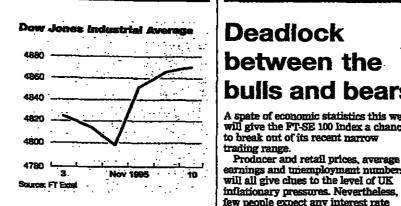
Fears of debt default likely to dominate

On Wednesday the Federal Reserve's Open Market Committee will meet to consider monetary policy. Opinion is almost unanimous on Wall Street that the Fed will keep monetary policy on hold until Congress passes a budget

whether Congress will lift the debt ceiling and allow the Treasury to raise money to service its debt, a large chunk of which comes due as the FOMC sits

relatively stable but the possibility of a defaultbrought some litters on the bond market on Thursday and Friday that could spill into the equity sector if the situation is not resolved.

This week also brings a spate of



Tomorrow's data on October retail sales should indicate whether consumer spending will to inject life into the economy. Economists are looking for retail sales to remain unchanged after September's 0.1 per cent rise.

in addition to the FOMC meeting, Wednesday brings figures on capacity utilisation, industrial production and consumer prices from October. Economists believe capacity utilisation will have inched up to 83.5 per cent while industrial production will be off 0.2 per cent. The consumer price index

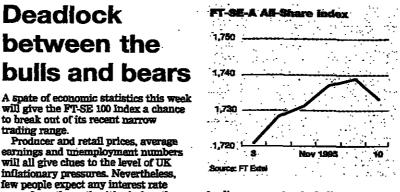
is expected to have risen 0.2 per cent.

move from the authorities before the November 28 Budget. So unless any of the numbers are startling, Footsie may remain stuck around the 3,500 level. While takeover speculation has generally been supporting the market, caution about the slowing economy and the prospects for corporate earnings

> en bulls and bears. At least there will be plenty of corporate news to keep investors interested, with results from a host of

growth have helped to hold shares

back. The result has been deadlock



Philip Coggan

leading companies, including BAA, BOC, British Steel, British Gas, Commercial Union, Land Securities, PowerGen and Unigate. There were some noticeable disappointments last week. including flat interim figures from Amersham and a profits warning from Ladbroke.

The wind of change may blow from the US, of course, where the budget battle was starting to cause jitters in the bond markets late last week. Even a technical US default on bond payments would be bound to unset

rather than abating.

week fell to an all-time low.

Many brokers fear the H

share companies stand to be hit with bloated tax bills as

unified tax system to help

create a level playing field

part of China's move towards a

with the domestic enterprises.

These new concerns come on

earnings reported by the bulk

top of a round of depressed

of the H share companies.

TOKYO

and concerns are growing

International offerings

Withdrawal of two deals spells early close to year

The withdrawal of two offerings last week. Pioneer Goldfields and Far Eastern Textiles, has raised fears that the primary equity market is closing down earlier than usual this year.

With more than \$10hm worth of stock to be priced between now and November 20, the market is starting to look congested, so it is hardly surprising that some of the more marginal deals have fallen by the wayside.

We are coming to the end of a busy year and although the stock markets are major heady, investors do not want to take unnecessary risks," said one banker.

The London flotation of Pio-neer Goldfields, which owns a gold mine in Ghana, was shelved last week because of poor market conditions and the poor performance of other recent deals. Pioneer Group, a Boston-based fund management company, had expected to raise between \$249m and \$275m from the sale of about 20 per cent of its gold subsidiary.

Bankers involved in the transaction said there had been demand for the shares, but well below the asking price. The vendor is believed to have been willing to drop the price by 10 per cent but decided to pull the deal when it became clear investors wanted an even larger reduction.

The other casualty of the week was Far Eastern Textiles, one of Taiwan's largest textile manufacturers. Although its share price deteriorated during the book-building process bankers said FET had pressed ahead with the offering of 6m American depositary receipts (ADRs) because it would have been the first US-listed offering by a Taiwanese company.

However, by last week the company decided to postpone the \$120m issue, citing its low share price. Even at those levels, the demand was not there, bankers said.

The demise of Pioneer Goldfields and FET has prompted some banks to postpone Asian deals earmarked for launch this year until after the Christ- has been hampered by its size mas break. These include offer-

green, all Taiwanese compa-nies. It is also believed that a \$60m offering for Metro Cash and Carry, a South African company, has been delayed until 1996.

But there is no suggestion that the primary market is about to return to the hostile conditions of the early part of this year. Bankers believe lack of US demand is one of the main factors behind the decisions to delay deals. Industry data show that US investment funds have been switching 6 to 13 per cent away from their international portfolios in favour of domestic portfolios to increase exposure to the strong

mestic stock market. Bankers were therefore not surprised that US investors were slow to respond to the offering by PT Telkom, Indonesia's telecom company and the government's biggest pri-

vatisation to date. Early last week the government said the domestic offer of shares had been fully subscribed. Pricing discussions for the international tranche, made up of shares ADRs (each worth 20 ordinary shares), were held over the weekend and the final price should be announced today.

Of the three regional tranches, which each comprised of 23.3m ADRs, demand was said to be strongest in Asia but that Europe and the US were only just covered. In the US tranche, indications that one-third or more of the orders were from retail accounts caused some institutions to back away in the fear that a wave of selling by retail investors would cause the

share price to fall. There was speculation last week that the lukewarm response from US investors could force the government to reduce the size of the international offering. While this is unlikely, the government is expected to price the ADRs at the bottom of the \$19.50 to \$24.50 price range, thus raising \$2.5bn rather than \$3.1bn.

There is a view in the mar-- it is three times bigger than ings for UMC, Yageo, and Ever- Indonesia's largest previous

privatisation - and by the lack of leadership. The government's decision to have eight global co-ordinators has meant no one bank feels particularly responsible for the success of the transaction

Although the primary mar-ket is showing signs of wear and tear, the runaway success of Adidas, the German sports shoe and equipment manufac turer, shows there is still demand for offerings seen to be

reasonably priced.

Although the books had been scheduled to close on Friday. many banks in the syndicate stopped taking orders earlier in the week because of the healthy over-subscription of

close to 10 times.
"We thought we had better close the books before we got orders from Mr D. Duck and Mrs M. Mouse," said one banker, referring to the speculative money which flows into deals which are set to sparkle in the after-market.

As a result of the strong demand from investors, the size of the offering has been increased to 27.3m shares, representing 60.2 per cent of the share capital, from 22.7m. The increase includes the 15 per cent green-shoe or over-allot-

ment option of 4.1m shares. Among other deals in the market, pre-marketing began last week on the \$150m offering of shares in Christiania Bank, which is 69 per cent owned by the Norwegian government. The sale should reduce the state's holding to about 50 per cent. Book-building should start today, with pricing scheduled for December 6.

The assassination of Mr Yitzhak Rabin, Israel's prime minister, caused some uncertainty for banks arranging the \$150m secondary offering for Koor Industries, Israel's biggest industrial conglomerate. One banker said the news of Mr Rabin's death prompted one fund manager to withdraw his order only to put it back into the book later in the week, following the recovery in the underlying stock market. The deal is expected to be priced

Antonia Sharpe

NEW YORK

with credible deficit reductions.

Investors are more likely to focus on

down to its meeting. Early last week, US markets were

economic statistics that should belp economists formulate opinions about what the FOMC will do in December if there is a budget package.

OTHER MARKETS

FRANKFURT

Germany's front-line

Schering, until recently

pharmaceuticals stock, has

been upstaged recently by

Hoechst and Merck, writes

G US; and the latter, since its

bigger and cheaper pure

alternative.

Institute.

first-half fall.

on Wednesday.

William Cochrane. The former

has been re-rated following the

\$7.1bn MMD acquisition in the

recent flotation, has offered a

pharmaceuticals investment

Schering has also been

shaken by its susceptibility to

currency swings, which left it

ex-growth after six months of

1995, by highly publicised UK

contraceptive pills and by the

partial restrictions imposed on

worries about low dosage

these drugs last week by

Germany's Federal Drugs

Schering reports third

Tracey at Goldman Sachs

decline after a 31 - per cent

expects a 4 per cent net profit

the Adidas IPO price: the size

of the offer was increased from

22.7m bearer shares to 27.3m

On Thursday, says Mr Reinhard Fischer at Research

Vision, the Bundesbank has

Today also sees the setting of

the potential to cut key interest rates: economic growth is below expectations and inflation is not a big problem; but whether it will do so is open to question. The central bank cut another 2 basis points off the repo rate last week, leaving it, at 4.00 per

cent. 39 basis points down

since the last Buba key rate

MILAN

cut on August 25.

Italian investors have until Friday to book early for the sale of ENI, the energy giant whose privatisation is Italy's largest ever placement of an unlisted company. The Italian government has earmarked 25 -50 per cent of the shares in the L10,000bn (\$6.3bn) flotation for the Italian public. The price for the placement will be set next Sunday with the official offer beginning two days later. quarter figures today; Mr Mark The Italian government,

anxious to sell the privatisation to local small investors, has offered incentives, including the promise of a special bonus to small investors, if the price falls below the offer price. But indications last week were that potential buyers were treading warily, mindful that shares of the last four major

privatisation candidates in

Italy quickly fell below the original offer price.

Meanwhile, Olivetti launches its L2,300bn capital increase, announced in September, on Thursday. It will run until

STOCKHOLM Nordic sentiment this week

will be determined mainly by the reaction to Ericsson's third quarter on Wednesday, says UBS, noting that technology stocks have been boosted recently by a strong US book to bill ratio. Ericsson has insisted that US weakness in mobile handset sales, as experienced by Motorola of the US and Nokia of Finland, will not impact on itself, notes the broker, which is looking for a 35 per cent gain in net profits to SKr1.1bn for the three

AMSTERDAM

The Amsterdam stock exchange will get a rest from third-quarter results this week, allowing the bourse to absorb the disappointment which companies ranging from Philips to Akzo have caused so far in the reporting season, writes Ronald van de Krol. A lone exception is Stad Rotterdam, the medium-sized

Several companies are due to

insurer due to publish

third-quarter results this

unveil results next week, including CSM, the food group, and ING, the financial services company. In spite of the sometimes severe negative reactions which have greeted some companies' results. analysts are generally sanguine that the bourse will continue to move sideways for the rest of the year rather than undergo a serious correction.

HONG KONG

Poor sentiment is unlikely to be chased away from the Hong Kong stock market in the early part of this week, writes Louise Lucas. Foreign and domestic selling are forecast to continue on disappointing corporate earnings, lowering expectations of a cut in US interest rates and renewed Mexican-inspired jitters in Asian markets broadly

markets". Fund managers and securities houses are largely underweighting Hong Kong. and are even more cautious on H shares, the former China enterprises now listed in the colony. The index tracking the performance of H shares last

perceived to be "emerging

Investor confidence in Nintendo, the video games company, remains weak, writes Emiko Terazono. The Nihon Keizai Shimbun reported last week that the launch of its new 64-bit game would be delayed to next year, although the company refused to confirm the news.

"Fundamentally, the company remains strong, but there seem to be some investors who regard the stock as overpriced," says Mr Reinier Dobbelmann, analyst at SBC Warburg in Tokyo. The company does not report interim earnings until November 27, but the stock could see further selling ahead of the announcement.

Compiled by William Cochrane

Acquisition of

acquiring company.

Arthur Andersen

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The undersigned developed the bidding consortium

and acted as Financial Advisors to the purchaser's

management and Eversholt Holdings Limited, the

for a price of £580,000,000

stock leasing companies (ROSCOs)

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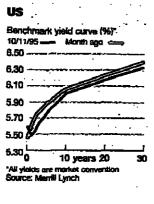
ARTHUR ANDERSEN & CO. SC Deutsche Morgan Grenfell

The overshadowing question for the bond market this week is, of course, the threat of default by the US Government. The immediate battle concerns \$25bn of interest payments due on Wednesday, without which the US will be technically bust.

Despite the escalation of rhetoric on both sides, the markets are counting on a compromise: otherwise, the long bond yield would scarcely have closed on Friday below the level of a fortnight before. On the other hand, as market commentators point out, the issue is bound to recur.

The other main event of the week also falls on Wednesday: the Federal Open Market Committee meeting, at which the Fed is on balance expected to leave interest rates unchanged.

The main statistic for the week is Wednesday's figure for the consumer price index. Forecasts for the October figure are around 0.2 per cent month on month, giving a figure of 2.7 per cent for the



Tony Jackson

first 10 months of the year, in line with the year before. That will be prefaced on Tuesday by the retail sales figure, which is expected by Donaldson, Lufkin & Jenrette to fall by 0.6 per cent, due mainly to a 7 per cent drop in car sales. Also due this week are

figures for industrial production, capacity utilisation and inventories for October, expected on Wednesday, and October housing starts on

LONDON

Gilts lost some of their shine on Friday with stronger than expected retail sales figures contributing to a flat day. Even so, over the week as a whole they continued their strong run, which began after the successful Bank of England 20-year auction last month.

7.50 -

The 10-year 8½ per cent gilt due 2005 closed the week vielding 7.86 per cent, a fall of 4 basis points on the week and 14 points over the last month. This week, attention will focus on producer price figures for October, due to be

published today; retail sales, unemployment and earnings figures on Wednesday: and retail price and public sector borrowing requirement details on Thursday.

If these confirm the picture of a slowing economy and waning inflationary pressure,

remain bullish in the run-up to the budget later this month. Expectations of interest rate cuts will grow, bringing particular benefit to the

market sentiment is likely to

Richard Lapper

5 years 20

short-end of the curve and

short sterling should rise.

for 25 basis points off

gilts analyst at LIBS.

index-linked gilts to

The current expectation is

three-month money by March

1996," said Mr Andrew Roberts

contract closed on Friday at

93.34 down 0.02 on the week.

under-perform conventional

stock, because recent supply is still hanging over the market.

Analysts also expect

The December short sterling

German government bonds, or bunds, are set to continue Benchmark vield curve (%)* outperforming US Treasuries 10/11/95 --- Morto ago --this week on expectations of further short-term interest rate cuts in Germany and fiscal worries over the debt ceiling debate in the US. Last week, the 10-year bunds

> vield spread over Treasuries shrank by 16 basis points to 27 points on Friday. We look for this trend to continue this week," said Mr 5 ·

FRANKFURT

Thomas O'Shea of Yamaichi International, adding that the yield differential could narrow another five to 10 basis points. The main focus this week will be on the Bundesbank's

next round of securities repurchase agreements. After last week's two basis point drop in the repo rate to 4.00 per cent, a decline below that psychologically important level should spark further yield-curve steepening as "It would keep the whole rate cut story alive," said Mr O'Shea. However, few observers

expect the Bundesbank to cut

Benchmark yield curve (%) 10/11/05 --- Month ago ---5.00

4.00

Conner Middelmann

interest rates at its meeting on

at Mentil Lynch

10 ws 20 4

Thursday. Mr Christoph Anhanm of UBS in Frankfurt, expects the yield curve to shift downwards and with lengthening trades becoming more frequent, the long-awaited shift in sentiment towards the long end could happen", he predicts.

Next week is also expected to bring bond-friendly producer and wholesale price data. which should confirm a picture of subdued price pressures.

The Ministry of Finance has stepped up efforts to heighten public awareness of the need for fiscal constraint due to revenue shortfalls and increased debt financing.

TOKYO

It is scheduled to make a statement this week on the seriousness of the fiscal situation. It has already announced that it plans to curb spending on education.

Barclays de Zoete Wedd in Tokyo expects tax revenues for the current business year to be around Y50,000bn, which is Y3,500bn less than the MoF's initial estimate and the fifth consecutive annual decline. Actual growth in the overall budget is expected to be

increase reflecting a rise in debt service payments. The government is likely to issue some Y3,000bn in deficit overing bonds as part of the third supplementary budget. This is expected to push up issuance of new government bonds to around Y23,000bn,

boosting the ratio of revenues

minimal, with most of the

Benchmark yield curve (%)* 10/11/96 --- Month ago ---4.00 3.00 ---2.00 1.00

Emiko Terazono

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from bond issues to the general account to nearly 30 per cent, the highest issue since 1960. The bond market has seen

support from low short-term terest rates and buying from the Bank of Japan but such an environment will eventually weigh on investor confidence. Bond issues for the second supplementary budget were not fully digested by the market, with the MoF's trust fund bureau buying 41.5 per

Syndicated loans

Deals finely priced despite Japan premium

The syndicated loans market is this is unlikely to lead to a once again abuzz with talk that interest margins are on the rise, though many say that's wishful thinking.

There continues to be talk of pricings moving upwards, but evidence points to the opposite," says one banker. "Of course, that could change if the US Government defaults on its debt obligations [this] week. People are completely underestimating the negative effect that could have on all the markets," he warns.

The US Government is close to its official debt ceiling and a temporary resolution, allowing Washington to function in the absence of a budget, expires today, only two days before \$25bn of interest payments on government debt fall due. If no solution is found before then, the government might have to default on that payment.

Meanwhile, although the recent increase in Japanese banks' funding costs over those of their non-Japanese competitors - the so-called Japan premium - has affected the speed and ease of execution of some transactions, many say widespread increase in interest margins, which have fallen this year to as low as 114 basis points over the London interbank offered rate for UK borrowers and even lower in continental Europe.

"In the last month or two, some Japanese banks have been finding it difficult to fund finely-priced transactions and have been going for deals with higher margins," says a banker at a Japanese house. However, he says, most non-Japanese banks are still "extremely asset-hungry and don't necessarily need Japanese banks to

Moreover, several Japanese banks have, in fact, been participating in deals at pricings way below their own funding costs to assert their commitment to the market. That strategy seems to have been nartially vindicated by the fact that the "Japan premium" has been narrowing in the last two weeks, dealers said.

get deals done".

Highlighting borrowers' ability to get finely-priced deals away smoothly, the £1.5bn credit facility for Hanson was

ing some £2.1bn in subscriptions from 35 banks, including several Japanese houses.

Hanson is paying a mere 12% basis points over Libor, rising to 13.5 points if more than half the facility is drawn. In light of the enthusiastic reception. traders said the deal, arranged by Chemical Bank and Nat-West, could be increased.

Elsewhere in the UK. banks have begun arranging the financing for last week's £1.6bn agreed bid for regional electricity company Seeboard by US utility Central & South West Corp (CSW) and the UK government's £1.8bn sale of British Rail's rolling stock leasing companies - or roscos - to the With CS First Boston acting

both as M&A and financing adviser to Seeboard-acquirer CSW, a two-part financing, consisting of an \$850m US facility and a £1.25bn UK portion is being arranged jointly by Citi-bank, Credit Suisse and UBS.

The UK facility will be in three parts: a £250m one-year tranche paying between 25 and

75 basis points over Libor.

depending on leverage, an £850m five-year term facility and a £150m five-year revolving credit facility, both priced at between 32.5 and 100 basis points over Libor.

Meanwhile, banks are putting together the financing for the acquisitions of three UK roscos. The purchase of Porterbrook Leasing, bought for £527m by a consortium led by its management, will be funded with an equity investment of £75m from Charterhouse Development Capital and bank facilities totalling £490m, underwritten by Bankers Trust; the consortium is in talks with Bankers Trust to arrange further facilities totalling £100m to buy new trains.

Some £510m of debt for the £580m purchase of Eversholt Leasing by a consortium of investors will be arranged by Deutsche Morgan Grenfell, which is underwriting the deal jointly with Fuji Bank, Société Générale and Royal Bank of Scotland. The £672.5m acquisition for Angel Train Contracts is likely to be financed by Nomura, one of the acquirers

Elsewhere, Chase and JP

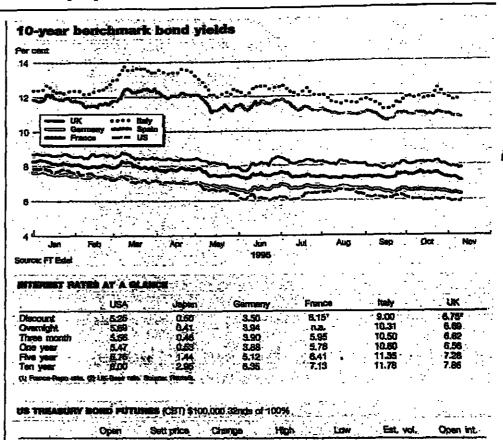
Morgan have been putting together a group of co-arrang-ers for a £1.2bn loan for Hutchison Telecommunications. operator of the Orange cellular

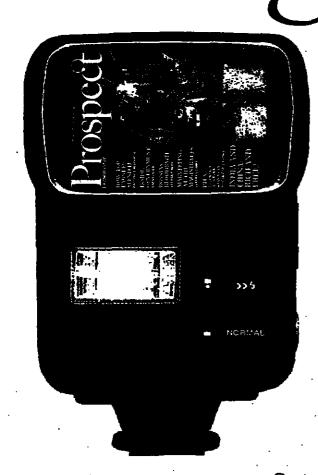
p<u>ho</u>ne network. Outside the UK. a \$700m seven-year facility for Sadaf, a joint venture between Shell and state-owned Saudi Arabian Basic Industries Corporation was signed after 11/2 years of planning. The delay was caused by the inability of the borrower to raise more than \$500m among regional banks, so Chase and Citibank took up the remaining \$200m. To attract other interna-

tional banks, the governing law was changed from Saudi to English, but in the end the facility, which pays 125 basis points over Libor, was comfortably oversubscribed. Meanwhile, Italy's Mediocredito Lombardo last week man-

dated the Bank of Tokyo and Société Générale as arrangers for a L250bn term loan facility with a maturity of four years less one day and paying 17.5 basis points above Libor.

Conner Middelmann





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International bonds

Investors take another look at France

117-03

As it has been so often in the last few months, France was last week again at the forefront of attention in the European bond markets, with Tuesday's government reshuffle triggering something of a rally.

And this week bond traders will again be playing close attention to events in Paris, with the new government team set to announce plans to reduce its FFr60bn social security deficit on Wednesday.

The ability of Mr Alain Juppe's team to make progress on this front, in the teeth of trade union opposition nationwide protest strikes are promised tomorrow - will be an important indicator of its chances of cutting the broader fiscal deficit towards the Maastricht criteria level of 3 per

Hopes that the new administration will adopt a firmer fis-cal stance, coupled with signs that the Bank of France wants to reduce interest rates, certainly helped the market last

Bond prices moved up sharply on Tuesday and

cent by 1997.

benchmark 10-year paper falling from 7.26 per cent to 7.07

117-18

By Wednesday evening the 10-year yield spread of French over German bonds had fallen to 70 basis points, their lowest level since early September. The market then eased off -10-year bonds yielded 7.15 per cent by Friday evening - partially as a result of developments in the US and the related weakness of the dollar, which led the D-Mark to

Signs of government firmness next week can only help the market but in the longer term its health will be heavily dependent on the government's ability to prevent economic slowdown turning into recession; reducing tax revenues and aggravating the deficit

strengthen against the French

Evidence of slower growth has come in sharply lower than expected monthly production and consumer activity data since the summer, a trend likely to be underlined when the same data for October are Wednesday, with yields on published later this month.

Mr Dominique Barbet, an economist at Banque Paribas in Paris, says that slowing growth and the risk of recession is the biggest obstacle to deficit reduction.

117-21

118-00

117-09

116-26

. 116-16

116-00

"The economy is slowing down very fast. There is a lack of confidence in the future on both the corporate and household side," he says. An easing in monetary pol-

icy is seen as vital for renewed growth. Indeed there are some signs that the prospect of rate cuts, underlined by the Bank of France's move to reintroduce its five to 10-day lending window, which had been suspended following currency volatility last month, is helping revive international interest in the shorter-end of the curve, with hedge funds buy-

ing two and five-year paper in The bank's move to set a new rate of 6.35 per cent com-pared with the 24-hour rate of 6.60 per cent under which emergency funds had been available followed cuts in the emergency rate itself, and the yield curve is now expected to

However, more evidence of progress on the fiscal front will be necessary before international investors are attracted back to the French bond market in numbers.

412,693

17,826

1,487

400,991

45,211

10,590

International investors owned 42.9 per cent of outstanding 10-year French government bonds in 1993 and 32 per cent of all government paper in the same year.

Those percentages have declined steadily since then, and now stand at 21 per cent and 20.1 per cent respectively, the lowest levels since 1989. Despite last week's changes.

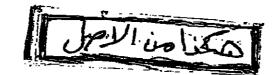
many observers remain sceptical of the government's capacity to deliver. Mr David Brown, an econo-

mist with Bear Stearns International in London, says: French policy is still facing all the same imponderable para-doxes. Chirac's hopes for stronger economic growth, faster job creation, more fiscal austerity, coupled with the 'Franc Fort' is a Gordian knot which not even sharp French rate cuts can slice through."

Richard Lapper 🛊

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NEW INTERNATIONAL BOND ISSUES



THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Argos 4p Barclays Bank Jnr Undid FRN \$166.11 S100.11 British Empire Secs & Gen Tst 0.75p Coca-Cola Amatil 7.625% Bd '96 \$381.25 DRS Data & Research Services DNS Dant & Nesearch Services 0.75p DePlo Finance 7%% Bd '03 £71.25 Dolphin Packaging 1.9p First National Bidg Scty 11%% Perm Int Bear Shs IR£568.75 Do 112% Perm Int Bear Shs £587.50 Housing Finance 8% Db '23 £4.3125 M. 3125
JiB Grp 2.5p
Linton Park 6.25p
MAI 6.7p
Mazda Motor FRN 2000
Y31129.0
Mtsubshi Finance Intl 7%% Sb Nts '07 \$387500.0 S x L Corpn 5.35% Nts '96 Y535000.0 Taisei 4.05% Nts '97 Y405000.0 Do 4.8% Nts '98 Y480000.0 Tottenham Hotspur 3p Trafford Park Estates 2.3p Wassali 1.55p

AMP (UK) 13% Bd '15 £650.0

TOMORROW

Abbey National Tsy Serv 71/4% Nts '98 FFr725.0

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Culver Hidgs 0.13p Grampian Hidgs 1.8p Helical Bar 2.9p I&S Optimum inc Tst 2.15p Italy (Republic of) 9½% Nis '95 \$950.0 Mis 50 \$431.25
Kingsbury 1p
London Secs 3.5p
Marsh & McLennan \$0.80
Rubgy Estates 0.725p
Tibbett & Britten 5p
Volvo Gro Finance Sweden 11%
Nts '95 SKr1100.0

WEDNESDAY **NOVEMBER 15**

Abbott Labotories \$0.21
Abtrust Preferred Inc Inv Tst
3.25p
Aon Corpn \$0.34
Arjo Wiggins Appleton 2.9p
BBA Grp 1.8p
Berclays Bank 16% Un Cap In
102/07 £8.0
British Stor Emperators 2.5p British Sky Broadcasting 2.5p Burndene Inv 15% Un Ln '07/12 27.50 Camellie 17.5p Chase Manhattan \$0.45 Clarke, Nickolls & Coombs 0.12p Clarke, Nickolls & Coombs 0 Clinton Cards 1.75p Colgate-Palmolive \$0.47 Conversion 9%% £4.875 Conversion 10% '96 £5.0 Delphi 1.5p Exchequer 13%% Loan '96 £8.625 Feiray 2 55o 20.023 Fairey 2.55p Fiscal Properties 0.6552p Foreign & Colonial Smilr Cos 6%

(4.2% net) Cm Pf £2.10 GESB 8.35% Secd Bd '18 £41.75 Proup Development Cap Tst 0.33p Hambros Inv Tst 5% (3.5% net) Cm Pf 1.75p Cm Pf 1.75p Inter-American Devi Bank 9%% Ln '15 24.875 Laporte 8.5p Lawrie 19p Mithras inv Tst 1p Nationwide Bidg Scty 6%% Nts '99 261.25 Nihon Doro Kodan 9½% Bd 2000 \$475.0 Parity 1p

Parity 19 Sanwa Pinance Aruba Step-up FRN Nov '04 51629,17 Scottish Asian Inv 22.0 Sinclair (William) 5.8p Sonar 1 Cl A Mort Bkd FRN '21 21 75.0 Do Ci B Mort Bkd FRN '21 5203.85 Do Ci C Mort Bkd FRN '21 5225.27 Standard Chartered Undtd Prim Cap FRN \$325.63 TSB Gilt Fd partg Rd Pf (Cl A)

■ THURSDAY NOVEMBER 16

BT Finance 9%% Bd '98 \$468.75 Britannia Bldg Scty FRN '96

£177.88 Euro-Vip Secol VRN '30 Ser B \$36927.78 Firnish Export Credit 6% Nts '95 \$60.0 NKK Corpn 6.1% Bd '99 Y610000.0

NatWest Benk Cap VRN '08 \$164.51 \$164.51
Ocean Wilsons 1p
SIG 2.2p
SKOPBANK-Firnish Savings
Banks Assoc SarB Undtd
SbVRN \$174.10
Towny Law 1p
Wyefield 0.5p

■ FRIDAY **NOVEMBER 17**

Anglovaal R1.06
Do 'N' R1.06
Ash & Lacy 2.6p
Barratt Developments 5p
Bluebird Toys 2.25p
Boot (Henry) 1.95p
Brierley Inv NZ\$0.05
Caradon 2.9p
Citicorp \$0.30
Commercial Union 10.7p Tenneco 11% Nts '95 \$110.0 Treasury 12%% Loan '95 £6.375 Waterman Partnership 0.5p Woodchester Inv UNITS IR2.75p YKK Corpn 3.9% Nts '99 Commercial Union 10.7p Dagenham Motors 2.2p Drive Secs CI A FRN '96 £184.63 Do Mezz FRN '96 £204.79 Do Mezz FRN '96 2204.79
Electricite de France 11¾%
Serial Ln '09/10/11/12
£293.75
Frogmore Estates 14p
Gent (SR) 1.5p
Gieves 0.75p
Henderson Highland Tst 1.45p
HSSC Hidgs Sb Cilrd

FRN '08 \$30.27 Isotron 3.42p Jacks (William) 0.75p Lloyd Thompson 6.25p MR-Data Management 1.5p Mayflower Corp 0.67p Merchants Tst 3p National & Provincial Building Society FRN '99 £176.18 NatWest Bank Jnr FRN \$167.71 Nicherel 5% Bd 2000 Y500000.0 Personal Assets Tst 110p PizzaExpress 1.6p Prestwick 7¼% Conv Rd Pf 18.125p Redrow 2.1p

Royal Bank of Scotland FRN '05 £87.43

287.43
Rugby 1.5p
Sektsui House 5.95% Bd '99
Y595000.0
Sharpe & Fisher 1.7p
T & N 3p
Thorpe (FW) 2.75p
Toyobo FRN Feb '98
Y29788.0
Loiand imil 2.08p Ugland Intl 2.08p Vardon 0.4p

NOVEMBER 18 Treasury 10% '04 £5.0 ■ SUNDAY

SATURDAY

NOVEMBER 19 Exchequer 9% '02 £4.50 Treasury 101/2% '89 £5.25

UK COMPANIES

m TODAY

BOARD MEETINGS: finals:
Carr's Milling Inds
Sidiaw
Utility Cable
Interims:
British Steel
Cranswick
Cottoblese Cranswick
Critichley
Finsbury Tst
London Industrial
Renold Smith (Jame Trinity Care

■ TOMORROW COMPANY MEETINGS: Community Hospitals, The Brewery, Chiswell Street, E.C., 12.00 Prewery, Charles Street, 2.0.,
12.00

Frogmore Estates, Durrants
Hotel, George Street, W., 11.00
Groupe Chez Gerrard, Scotts
Restaurant, 20-22, Mount Street,
Mayfair, W., 10.30
Sinclair (William), White Hart
Hotel, Bailgate, Lincoln, 11.00
BOARD MEETINGS: finals:
Asset Mingmt Inv
BMG Charles Sidney
BOC Grp
Dickie (James)
Ferner
Foreign & Colonial Emerg
Mkts
Wardle Storeys
Interims: Bank of Ireland
Borthwicks
Carnell
Chamberlin & Hill
Great Portland Estates
Guardian Media

THURSDAY NOVEMBER 16 COMPANY MEETINGS: Barratt Developments, Plaisterers Hall, 1, London Wall, E.C., 2.30 Beazer Homes, Assembly Reazer Houses, Assembly
Rooms, Bath, 2.30
Beckman (A), Durrants Hotel,
George Street, W., 12.00
Hollas Group, Belle Epoque Hotel, 60, King Street, Knutsford, Cheshire, 10.00

■ WEDNESDAY NOVEMBER 15

Milwail Northchart Inv

Interims: Bradford Property Tst

DCC Essex & Suffolk Water

Greenway
Hambros
Jersey Electricity
Land Sec
Lezard Select inv Tst
Oxford Instruments
Property Partnerships
Unigate
Volex

Flogas Foreign & Colonial Inv Gwth Inv Tst

COMPANY MEETINGS:
Domestic & General, 18, St
Mary-at-Hill, E.C., 11.30
Isotron, The Howard Hotel,
Temple Place, W.C., 12.00
Towry Law, Baylis House, Stoke
Poges Lane, Slough, Berks,
12.00
Isborne, The Barn, Micheldever,

Usborne, The Barn, Micheldever Station, Winchester, Hants2.30 BOARD MEETINGS: finals:

BOARD MEETINGS: finels: Capital Radio Finsbury Gwth Tst Glasgow Inc Tst Wigmore Property Inv Tst Interims:
Adam & Harvey
Break For The Border
Cable & Wireless
City of London PR
Hardy Oil & Gas
Portsmouth & Sunderland Powergen 600 Grp Tring Intl

Yates Bros Wine Lodges York Waterworks

FRIDAY

COMPANY MEETINGS: Glaxo Wellcome, Grosvenor House, Park Lane, W., 11.00 Lendu Holdings, 3, Clanricarde Gardens, Tunbridge Wells, Kent, 12.00 12.00
Redrow Group, St. David's Park
Hotel, Clwyd, 12.00
Renishaw, Gables Inn, Falfield,
Gloucs, 12.00
BOARD MEETINGS: Interims: Black Arrow Chester Water

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally evailable until approximately so weeks after the board meeting to approve the preliminary results.

THE PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break.

In this, the fifth year of the prize, the Trustees are inviting applicants to write A Letter from a European City focusing on a feature which enriches people's lives and explaining how it might be transferable to other Euro The 1996 prize will be worth not less than £3,000.

Applicants, aged over 25, of any nationality, should submit their Letter of up to 800 words in English, together with a brief c.v. and a proposal outlining how the award would be used to explore the theme of the Letter further. Please keep David Thomas's interests in mind when writing both the Letter and the proposal.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 5 1996

APPLICATIONS TO: ROBIN PAULEY, MANAGING EDITOR THE FINANCIAL TIMES NUMBER ONE SOUTHWARK BRIDGE LONDON SE1 9HL

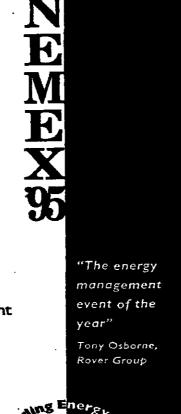
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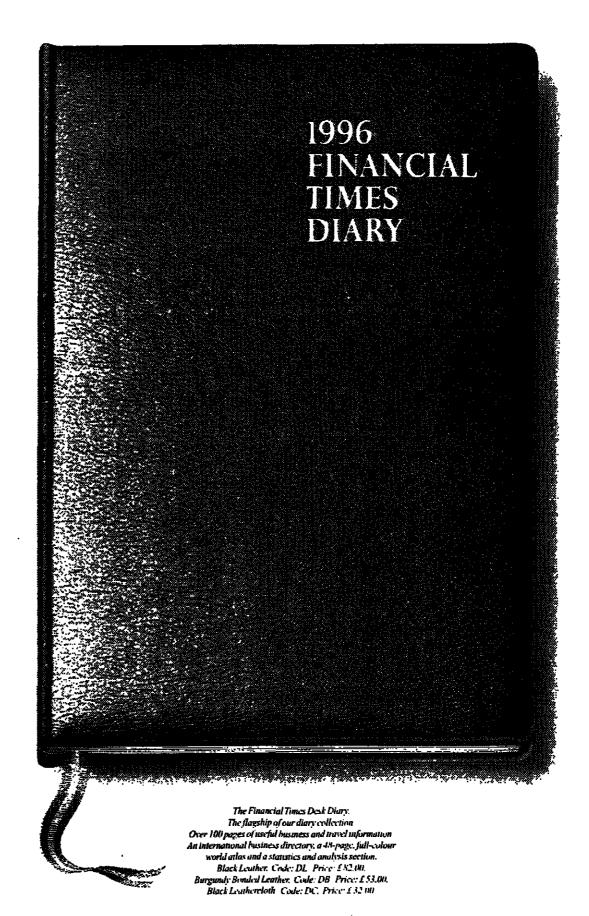
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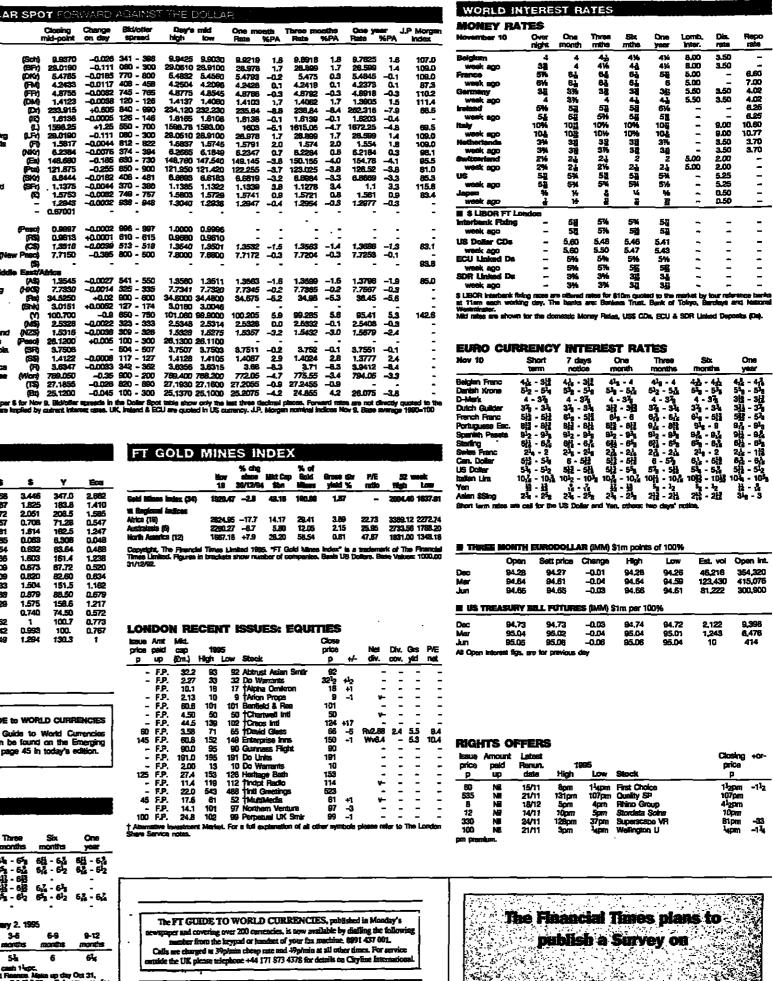
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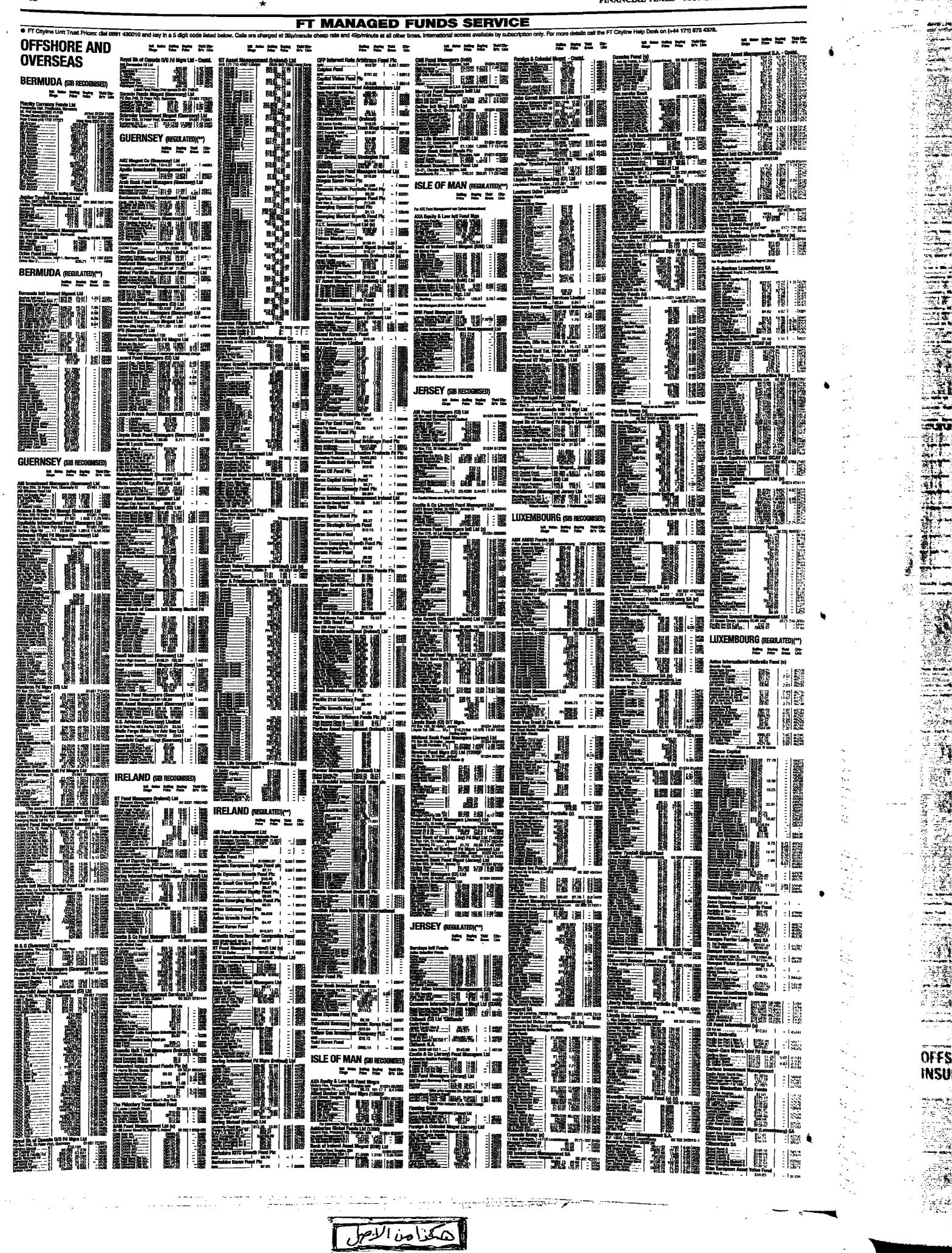
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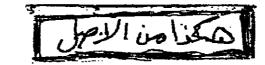
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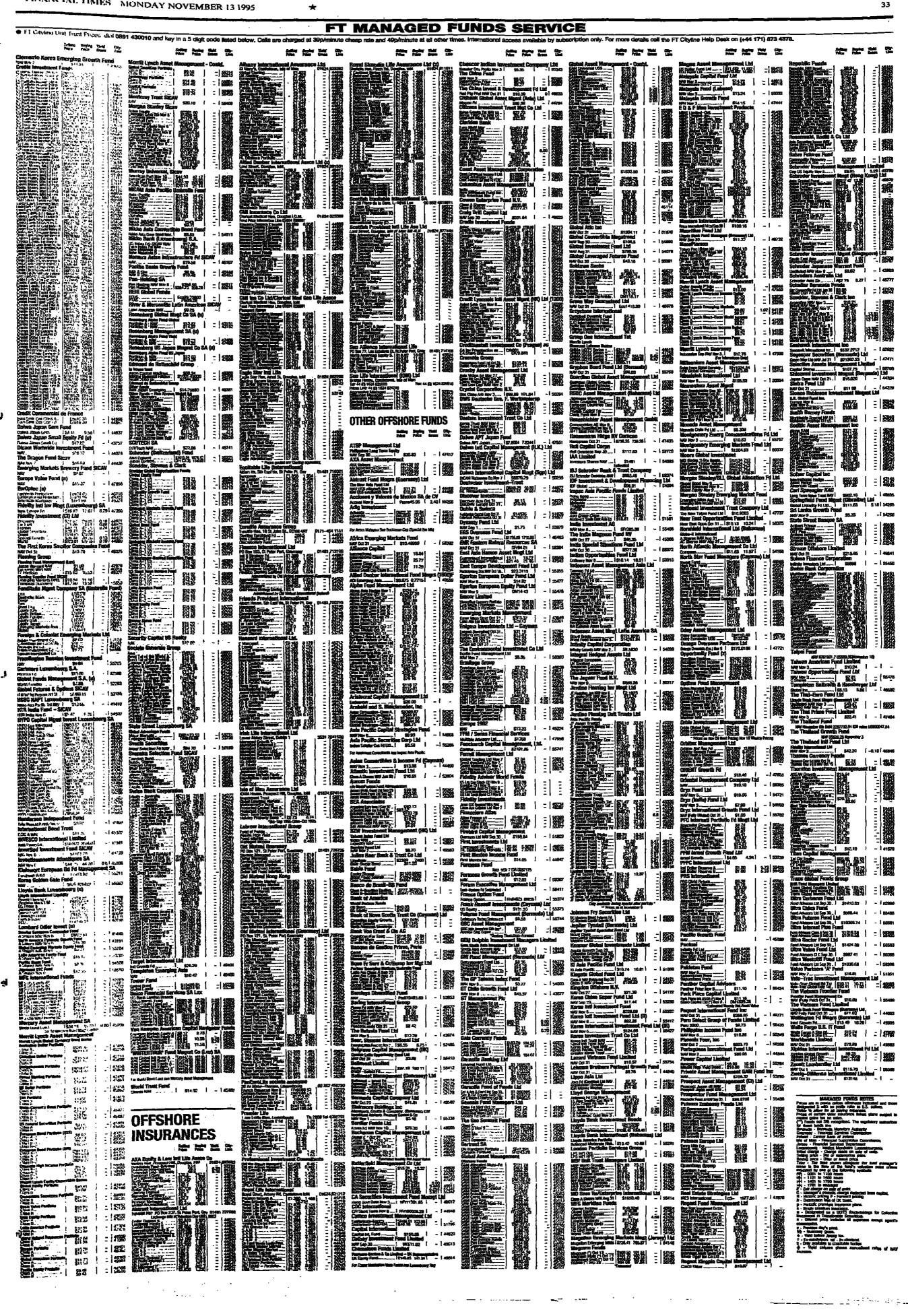
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EWEEK

MONDAY

WEU meets in Madrid

Foreign and defence ministers of the Western European Union begin a two-day meeting in Madrid. They will try to agree a document setting out options for the organisation's future and its relation to the European Union. The UK, due to take over the WEU presidency for six months in January, is resisting any move towards merging the WEU and the EU.

Euro MEPs ponder fraud



The European parliament plenary session in Strasbourg (to Nov 17) will be dominated by the annual Court of Auditors report on fraud. It is tipped to include a

catalogue of irregularities and mismanagement in EU institutions running to a cost of Ecu500m. On Tuesday, Boutros Boutros Ghali, secretary-general of the UN, will address the house.

China's president in S Korea

President Jiang Zemin becomes the first Chinese head of state to visit South Korea, three years after diplomatic relations were established. His five-day trip will include discussions on increased economic co-operation. China is South Korea's third-largest trading partner and the leading country for Korean investment.

Krenz on trial

Egon Krenz, former general secretary of the East German Communist Party, and five senior officials of the regime go on trial in Berlin. They are charged with manslaughter and attempted manslaughter in connection with a shoot-to-kill policy on the former border with the Federal Republic of Germany. The trial is one of the biggest since the Berlin wall was breached six years ago, but its outcome remains unclear, following the collapse of several other cases against the former East German leadership.

Saleroom

Christie's in Geneva begins a week of spectacular jewellery sales with a group sent for auction by Princess Salimah Aga Khan, divorced wife of the Aga Khan. The "Begum Blue" diamond of 13.78 carats, the centrepiece of a necklace of 41 diamonds, carries the top estimate of up to £5m (\$7.9m). All told, more than 200 jewels should bring in close to £20m.

On Wednesday, a diamond of 78 carats known to be in the collection of the last Mughal Emperor Aurangzeb in the 17th century could make £4m.

Tennis

Pete Sampras of the US, heads the line-up for the ATP world championship in Frankfurt, Germany (to Nov 19).

FT Surveys Vietnam and Devon and Cornwall.

Colombia, Taiwan.

Holidays



Algerians wait to enter the Algerian consulate in Lille, France, to register for Thursday's Algerian presidential election

14

TUESDAY

US in budget and debt crises

The US government will begin to shut down non-essential operations - assuming no last-minute resolution of the budget confrontation between President Bill Clinton and the Republicans controlling Congress avoids a presidential veto of temporary spending and debt ceiling bills. The \$1,900bn debt limit could be breached as early as Wednesday, but treasury secretary Robert Rubin is expected to take special actions to avoid a first-ever US government default.

EMI outlines Emu plan

Alexandre Lamfalussy, president of the European Monetary Institute, the Frankfurt-based forerunner of the planned European central bank, is to detail its recommendations on how the new Euro-currency should be adopted, first by the banking system and later among the

WTO releases annual report

The Geneva-based World Trade Organisation publishes its first annual report on international trade. It shows that trade growth now far outstrips production growth, reflecting globalisation of the world economy.

SDP congress in Mannheim

Germany's opposition Social Democrats will try to put behind them months of internal quarrels and shrinking electoral support at their annual congress in Mannheim (to Nov 17). The congress is expected to confirm Rudolf Scharping in position as party leader in spite of his low standing in opinion polls.

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Oct producer price indx input*

Oct producer price indx input**

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Sep producer price indx*

Oct retail sales ex-auto

Oct consumer price indx

Oct CPI ex-food & energy

Oct industrial production

Oct capacity utilisation

Oct real earnings

Sep shipments†

Oct unemploymen

Oct retail sales"

Oct retail sales"

Sep average earnings

Sep unit wages 3-monthly

Sop business inventories

Sep industrial production †

Oct Atlanta Fed indx

Oct retail sales

Oct PPI ex-food, drink & tobacco

ECONOMIC DIARY

Report on German economy

The so-called five wise men, all leading German economics professors, present their annual review of the economy, one of the most comprehensive diagnoses of the health of Europe's biggest. Recent forecasts have suggested that GDP growth next year is expected to slow to 2 per cent, down from the 2.5 per cent forecast by the government for this year.

Saleroom



The highlight in a week of auctions of contemporary art in New York is Jackson Pollock's "Number 1 1952", estimated to fetch up to \$4m at Christie's. Created by the celebrated 'drip" painting technique, it is the best

15

Pollock to appear for some years. FT Surveys

Greece and UK Electricity.

Holidays Jordan.

WEDNESDAY

State opening of parliament The 1995-96 session of the UK parliament is opened by the Queen with the traditional speech setting out the government's legislative programme for the coming year. The speech is expected to include a number of controversial measures, including bills on immigration divorce and domestic violence

Actual

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Statistics to be released this week

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During the week.

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Nov 17 US

Football Qualifying matches for next year's European championships include: Portugal v Ireland, Slovakia v Romania, France v Israel, Netherlands v Norway, Germany v Bulgaria.

FT Surveys Japan in Asia and Engineering in Action.

Holidays Brazil, Côte d'Ivoire.

THURSDAY

Apec meets in Osaka



Foreign and trade ministers of the 18 members of the Asia Pacific Economic

16

Co-operation forum start a two-day meeting in Osaka, Japan. The ministers aim to finalise a joint action programme for implementing last year's decision by Apec leaders to achieve free trade and investment in the region by 2020.

The programme is due to be approved by the leaders – who include US President Bill Clinton, President Jiang Zemin of China and Prime Minister Tomiichi Murayama of Japan - at the third annual Apec summit in Osaka on Sunday.

Weapons treaty deadline

Midnight is the deadline for signatories to the Conventional Forces in Europe treaty to complete destruction of weapons stocks which exceed the agreed limits. Russia may not be technically compliant with the I treaty in time, as it has yet to destroy

Nov Philadelphia Fed indx

Initial claims w/e Nov 11

Oct overall wholesale price incix*

Oct overall wholesale price indo

Ditto ex-mortgage int'st payments" 3.3%

Oct public spanding borrowing req 50.4bn

Oct money supply (M2+cash dep) 2.8%

Oct trade balance, customs cleared \$7.1bn

Oct prod price indx, pan-Germany 0.0%

Oct prod price indx, pan-Germany 1.7%

nth on month, "year on year, †seasonally adjusted Statistics, courtesy MMS Internations

Sep manufacturing new orders

Oct wholesale price Indx, West*

Oct producer price indx, West"

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Oct retall price indx

Oct retall price indx**

Oct housing starts

Oct building permits

Oct broad liquidity**

Sep orders, West

Oct Ifo business climate

Sep retail sales, real*

the agreed limit because of tension in the region. Nato has said it will not ignore the breach, but will work with Russia to resolve the problems.

Algeria votes for a president

some specified equipment held east of the

Ural mountains because of financial

problems, and has a concentration of weaponry in the Caucasus which exceeds

Algeria holds the first round of presidential elections. The Islamist armed opposition has vowed to disrupt the poll and opposition leaders have called for a boycott. The vote is the first since the army cancelled the second round of legislative elections in 1992 which the Islamic Salvation Front was poised to win. Since then, Islamists and government forces have been locked in a bloody struggle, which has already cost more than 40,000 lives. Four candidates, all perceived to be pro-government, have qualified for the election. The incumbent, Liamine Zeroual, is widely expected to

Cricket

carry the vote.

South Africa and England start their first Test at Verwoerdburg (to Nov 20).

FT Surveys Derivatives and Europe's Dynamic

FRIDAY

SDLP party conference

17

British policy in Northern Ireland is set to come under fresh attack from John Hume, leader of the province's moderate nationalist Social Democratic and Labour party, at its annual conference in Newcastle, County Down (to Nov 19). Amid signs of unrest among hardline republicans, with the seizure last week of a 300lb bomb in the Irish Republic, Mr Hume is expected to step up his call on the government to convene immediate all-party talks.

Monopoly at 60



anniversary party is appropriately held at the Park Lane Hotel, Mayfair, honouring the two highest value properties in the English version of the real-estate board game. Invented in

A Monopoly 60th

the US in 1933, it was first marketed in the UK in 1935. Highlight of the evening is the auction of a special Monopoly set made of precious metals and gems.

Mastering Management The fourth of the FT's 20-part series appears in the UK edition. Non-UK readers can take out a subscription.

FT Surveys India.

Holidays Azerbaijan, Zaire.

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SATURDAY

UK unions hold conference

Gordon Brown, shadow chancellor of the UK's opposition Labour party, will talk to a Unions 95 conference on "Getting Britain to Work" at the headquarters of the Trades Union Congress in London. An afternoon session on "Renewing the Unions" will be addressed by John Monks, general secretary of the TUC.

Rugby union

At Twickenham, England v South Africa: at Murrayfield, Scotland v Western Samoa; at Landsdowne Road: Ireland v Fiji. In Paris, France host New Zealand for their second Test.

SUNDAY

Presidential run-off in Poland

The second round of Poland's presidential election sees incumbent Lech Walesa (left) chasing a 2 per cent lead clocked up by his challenger, former communist Aleksander Kwasniewski, who

got 35 per cent of the vote in the first round. Up to now, the election has centred on the youthful Mr Kwasniewski's communist party past, as President Walesa batters home the message that a vote for his challenger is a vote for returning to the miseries of the past.

Elections in Catalonía

Voters in Spain's self-governing Catalonia region go to the polls to renew their parliament just four months before general elections are provisionally scheduled. Catalan President Jordi Pujol, the man who has forced the Socialist administration in Madrid to cut short its term, is trying to hold on to the regional government he has run for 15 years.

Italian privatisation

The Italian government will announce the offer price of shares in Eni. the state-owned energy and chemicals group, ending a fortnight in which the Italian public has been able to reserve stock in one of the world's biggest ever flotations. The treasury, which aims to sell between 17 and 24 per cent of Eni, has set a price range between L5.250 (\$3.24) and L6.000 a share, and could raise more than L10,000bn from the partial privatisation.

Referendum in Chad

Chad holds a referendum to approve a new constitution and to decide if multi-party elections will follow. Presidential elections are due on February 11 1996, with parliamentary elections in April.

Compiled by Patrick Stiles. Fax: (+44) (0)171 873 3194.

Sun launches Ultra 1.

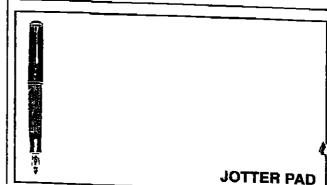


The new Sun Microsystems Ultra 1 workstation is the first to feature UltraSPARC, Sun's new processor architecture for the milienium.

Call Morse for an Executive Briefing.



Morse Computers. 0181-876 0404.



Monday: UK factory input prices are expected to have risen only slightly last month after the large increase in September. Tuesday: Economists expect

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Other economic news

US retail sales growth to be weak in October after slowing in recent months. Wednesday: UK retail sales are expected to have picked up

slightly last month, although growth remains weak. The annual rate of US consumer price inflation is thought to have accelerated last month. The number of people unemployed in the UK is thought to have fallen again in October. TK average earnings growth is expected to remain at current evels.

Thursday: Most economists expect the annual rate of UK retail price inflation to have fallen last month, although the underlying rate, excluding mortgage interest payments, is thought to have edged upwards. A small public sector borrowing requirement is expected in the UK in October as corporation taxes and a recovery in VAT receipts boost

tax revenues. Friday: Most economists expect Italian industrial production growth to have slowed ın September.

ACROSS I Cryptic compiler Ben." He's quite logical! (14) 10 A fringe gathering of lace-

11 Victor takes girl endless celebratory wine (9) 12 Point learnt afresh, always to be remembered (7) 13 Hill split by flood (7)

14 Race in one game leads to 16 Famous surgeon in bed suffering from burns? (9)
19 He leaves his coat on the wall

28 Removal workers? (5) 22 Peasant breaks a foot (7) 25 Transport Clive arranged to

accommodate ambassador's

return (7) 27 Orange cheese from Crete'

28 Very much a negative result

29 Encouragement for a couple of failures (5.4.5)

Oct consumer price undx 2 Sort of carthorse needing a man with a stick to start it (9) 3 Swan circling about to primp

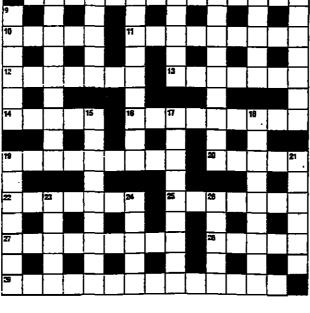
its feathers (5) 4 Brand associated with Arthur 5 Spot-on old-time variety per-

Parts - of feminine attire (9) Instrument there's call for (5) 8 One would feel put out to be treated so (7) 9 Examination of French form

included a severe test (6) 15 Recovering, need month off 17 River seen swirling back-

wards (2,7)
18 Artist cooks chicken - in case of bad weather? (9) 19 Short time work for actors (7) With it, the essay is without

purpose (6) 23 Jumping bail, I must make an excuse (5) 24 All for musicians (5) 26 One who believes in British industry (5)

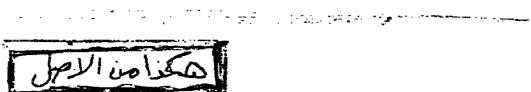


MONDAY PRIZE CROSSWORD

No.8,917 Set by DANTE A prize of a Pelikan New Classic 380 formtain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday November 23, marked Monday Crossword £917 on the envelope, to the Financial Times, 1 Southwark Bridge, London £E1 9HL Solution on Monday November 27. Please allow 28 days for delivers of prizes.

Winners 8,905 Solution 8,905 Miss L.J. Massie, Sutton, Surrey David Johns, Loughborough Mrs L.M. White, Belfast Martyn Thomas, Bath L.R.C. Bouquet, London NW2 A.R. Neale, Bahrain

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DEVON AND CORNWALL

Region must sell itself

With a growing workforce, a strong development agency is being advocated, writes Roland Adburgham

igures for inward migration prove it: Devon and Cornwall are desirable parts of England. The gentle (if damp) climate, the 800km of unmatched coastline, the national parks of Dartmoor and Exmoor, have caused an influx of people.

The population of the two south-west counties rose by almost 9 per cent to 1.5m in the decade to 1991 (compared with a rise of under 3 per cent in England). It is projected to be 12 per cent higher in 10 years' time. The assumption that most newcomers arrive to enjoy retirement is false. Those people are in the minority and the workforce is forecast to rise nearly 10 per cent between

Another assumption might be that the counties' popularity proves they are thriving; instead, they are among the least prosperous parts of the UK. Gross domestic product per head in Devon is 87 per cent of the national average and in Cornwall only 73 per cent. Average weekly pay is well below the national average, especially in Cornwall.

Although unemployment has fallen, there is concern that job creation will not keep pace with the growing workforce. Cornwall has ingrained high unemployment at such places as Redruth and Camborne. where deprivation can be comnared with the south Wales valleys. Unemployment is lower in Devon but Plymouth tary and dockyard jobs and inner city poverty. Even North

the traditional industries of fishing and tin mining, changes in china clay, agriculture and tourism, and the contraction of the defence indus-try coinciding with the recent recession. The counties, therefore, face the challenge of not only creating jobs, and of improving prosperity, but to do this with least damage to their enviable environment.

The response has been a variety of initiatives, notably the Westcountry Development Corporation (WDC), a public and private partnership set up two years ago and chaired by Mr Eric Dancer, managing director of Dartington Crystal. It aims to give the counties a unified voice and a co-ordinated strategy to promote the region in the UK and Europe as a place for business, rather than being seen merely as a holiday destination.

Within the counties, there is a belief that Whitehall and Westminster fail to recognise their needs. The counties are riled by accusations of "whingeing" and believe they suffer by being grouped, in the gov-ernment's definition of regions, with wealthier south-west counties. Those have Bristol as their economic hub but Plymouth, easily the largest city in Devon and Cornwall with 250,000 people, is 125 miles

Mr John Ingham, Labour leader of Plymouth council. comments wryly: "People in Whitehall confuse us with Portsmouth and believe the world ends at Bristol." He adds: "People see us on a nice day as a beautiful modern city with wonderful Plymouth Sound, and go away with the false view that there aren't any difficulties.

Mr Brian Greenslade, chairman of Devon's policy committee, speaks of the impact of



The fishing port of Mevagissey in Comwall

Photographs for this survey were taken by Ashley Ashwood

able to provide the infrastructure we need - not only housing, but roads and schools." The government has had a price to pay - not least because householders consider it partly responsible for the fact that South West Water, the privatised utility, imposes the country's highest charges. In Cornwall, where Liberal Democrats control the county council, the Conservatives have only six of 79 seats. In

are the largest party, though without overall control. The Tories lost control of Plymouth in 1991. Local Tory MPs aware that at the next election they will be defending majorities of under 6,000 in six constituencies - are lobbying ministers on behalf of the counties. . Further tensions have been caused by the government's

Devon, the Liberal Democrats

authority for his home county of Cornwall. But lack of support for that resulted in the retention of five district councils as well as the county. In Devon, Plymouth and Torbay will gain unitary status in 1997. The unexpected decision on Torbay fuelled protests by Exeter that it, too, should have unitary status – a proposal that is vigorously resisted by the county. A final decision is due early next year.

The government would argue that it has listened. Baroness Cumberlege was appointed "sponsor" minister for Plymouth in 1993 and is praised locally for her commitment. Last year, the Govern-ment Office of the South West, based in Bristol, set up a twin office in Plymouth "to respond to the needs of Devon and Cornwall". Although the coun-

tance were widened in 1993. Cornwall and much of Devon, including Plymouth, also qualify for European structural funds, with £168m available between 1994 and 1999. Mr Greenslade welcomes the allocation, but states: "Our ability to provide matching funds is very limited."

Mr Roger Harris, senior partner in Plymonth of KPMG, the accountancy firm, says: "I don't believe we've had our fair share of government attention on a timely basis - but there's not a lot of point in looking backwards in business. "The south-west must have a

united front in dealing with the government. That has not always been the case. We do feel hard done by, but there's a major need to be positive about the region. There is a need to point out the requirements -



the private sector arm of the WDC and which has South West Water and Sweb, the electricity utility, as leading backers. Sweb was taken over this summer by the US group Southern but Mr Gale Klappa, its new chief executive, indicates it will continue to support Swel. "In the US, we have a rich history of going beyond normal corporate responsibility to encourage the right kind of growth which is acceptable

Mrs Doris Ansari, chairman of Cornwall's policy committee and vice-chairman of Devon and Cornwall Development International, the inward investment agency, says: "We desperately need to say we're not peripheral but part of the mainstream, with a good manufacturing base and a highly skilled workforce." The WDC local authorities and Devon & development need to be activities. I personally would Cornwall training and enter-

example, there are 600 electronics companies.

Last month. Sir John - who chairs Swel and Westcountry TV ~ said in Truro, Cornwall's county town: "We need a combination of anger and ambition. Cornwall must want, very much, to see things improved and must be unwilling to settle for a gentle slide into rural

Mr Michael Galsworthy. chairman of a campaign to promote Cornwall called in Pursuit of Excellence, states: "We all need to be energetic 'sales persons' for the county: zealous that the commercial world about us recognises not just the magnificent environment, but also the rapidly growing portfolio of highly successful

To make the selling more effective, the many organisa-

about Devon and Cornwall would have a single development agency and define common strategies with the money to follow it through." Mr Harthere are too many agencies. There is a great need to work together and, as soon as practicall to reduce the number." Mr John Mannell, chief executive of Devon & Cornwall Tec,

envisages a one-stop campus. Mr Mike Boxall, WDC's chief executive, says its partnership has been cemented and is ready to move to the "next phase of giving greater emphasis to a strategic direction and the capturing of quality investment and projects.

"With pressure on resources particularly in the public sec tor, we have to take the next quantum leap. If that means bringing agencies together to have a great deal of support for

Discover what these companies already have

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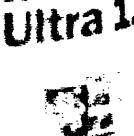
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Sun





Winds of change are felt

Industry has had to diversify while the disadvantages of distance are being overcome

While windfarms are an obtrusive sign of the reshaping industrial landscape in Cornwall, other winds of economic change are blowing through the county and its neighbour.

In the 1980s, primary industries declined and the service Sector grew by nearly a third to account today for 70 per cent of employment (though 60 per cent of the new jobs are part-time). Tourism and leisure is still a vital industry but the decade saw rapid growth in retailing and professional and business services.

Local authorities remain the largest employers though, as elsewhere, jobs in public administration are diminishing. Manufacturing has reduced its workforce but there has been diversification into electronic engineering and high technology. Health care the region has a high propor tion of retired people - is growing in importance. The economy, while forced to adapt by structural changes in what were its staple industries, is becoming more balanced.

Disadvantages of distance are being overcome not only by upgraded roads but by improved telecommunications. including Plymouth, Exeter and Torbay, plans a £200m investment in a cable network aiming to reach 200,000 business and domestic premises over the next five years.

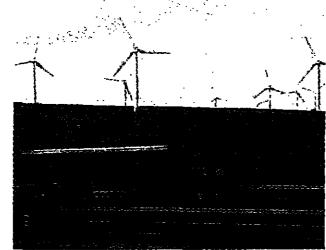
One company with its own digital microwave network. linking seven regional studios, is Westcountry TV. Owned by Associated Newspapers, Brittany Ferries and South West Water, it went on air in January 1993, having won the franchise from TSW. It is making money - a pretax profit of

£3.7m in 1994 – despite only 6 per cent of its advertising revenue being generated from Within its territory.

This is one indication of the region's realities: all but 1 per cent of the 36,000 business are small and medium-sized enterprises, employing under 200 people. Of the half-million labour force, a quarter are self-employed, well above the national average. South West Water is one of the few large companies based in the region and Medical Sickness Group is one of the rare UK organisations to have relocated its headquarters there.

ceptions are being made. The campaign in Pursuit of Excellence seeks to show the existing range and quality of commercial activities in Cornwall and encourage more. The Confederation of British Industry's south-west region is highlighting successful companies in the two counties as part of its flag-waving Operation Excellence. An investment and relocation exhibition will be held at Exeter University next March, organised by Devon county council.

prove to be insular by being very dependent upon local



The wind farm at Carland Cross, near Truro in Cornwall

Mr Ken Martin, chief executive of Devon and Cornwall Development International, the agency which woos inward investment, comments that it is easier to convince foreign companies of the region's merits than what he calls "our upcountry cousins".

Cornwall has the toughest task of persuasion, as shown by a Mori poll published in July of 1,000 UK senior executives. The poll showed the county was rated more poorly than other peripheral areas as a prospect for investment.

Efforts to change these per-

markets. Devon & Cornwall training and enterprise council says 60 per cent of businesses trade solely within the two counties. Only 13 per cent trade within the European Union and 11 per cent with the

With most large companies being either foreign-owned or headquartered elsewhere, there is a need to encourage local sourcing as well as exports. This year, government funding of £400,000 was provided for a regional supply office, to be More help for small and medium-sized enterprises

comes with a new support network of seven Business Link centres and from South West Investment Group, a public and private sector organisation intended to offer loans to bridge the "equity gap".

With economic recovery having slowed. Mr John Mannell. chief executive of Devon & the prospect of a substantial reduction in unemployment. But there is a growing skill shortage." The Tec is broadening a modern apprenticeship scheme, launched in Sentember, to 30 industries and emphasises the Investors in People programme. Over 100 organisations in the counties have IIP and nearly 400 are committed to achieving it.

One encouraging sign for future skills is that more 18year-olds than the national average go into higher education. There are 11 colleges of further education and two universities, at Exeter and Plymonth which have strong engineering and electronics

Plymouth University, which includes Plymouth Business School, is one of the UK's larger universities with 16,000 full and part-time students. It has lifted its research and consultancy income and describes its industrial links as ever-

Exeter University recently set up a business relations unit as a point of contact for companies and wants to establish an innovation centre, where companies could work with university engineers and scientists. Its centre for management studies has a scheme under which MBA students offer services free to companies to develop marketing projects.

An ambitious plan by Exeter University is for a university in Cornwall to help to regenerate the economy. Business studies are intended to be an important subject there and possible sites have been shortInward investment: by Roland Adburgham

Despite limited resources, the development agency has just had its best year ever

On the windswept spine of Cornwall, within sight of the ivy-clad ruins of tin mines, are two large adjacent plants: one run by Pall Corporation and the other by Contico Europe

The significance is not only that they are sizeable employ-ers in the depressed area of Redruth, but that they are

Pall, a US manufacturer of filtration equipment, has been long-established at Redruth and now has two other plants in the region, near Newquay and at Ilfracombe in Devon. Contico, a Missouri-based company making plastic contain ers, arrived in 1992 and has since added 90,000 sq ft to its factory and taken on more

Not far away is a newcomer, Dransfield Holdings of Hong Kong. In May it took over Redruth Brewery from the receiver the first Hong Kong investment to be made in either Cornwall or Devon.

These investments demonstrate that international companies can be drawn to apparently far-flung parts of the UK. Disadvantages of distance can be counterbalanced by improved roads (Redruth is next to the upgraded A30),

good telecom links, available skilled labour and a desirable environment to which manage ers are happy to relocate. An additional inducement in Cornwall and parts of Devon is regional selective assistance.

Contico, for example, had a £1.4m grant tied to its initial investment of £4.5m and creation of 100 jobs, and a further £950,000 for its expansion. To woo overseas companies.

the two counties have a longestablished agency, Devon and Cornwall Development Interna-

ment's Invest in Britain Bureau. It has offices in Boston and south-east Asia although. compared with regional organisations such as the Welsh Development Agency, its budget is modest. Its 1994-95 income of £1,2m included grant aid of £787,000 plus funding from the Westcountry Development Corporation and the pri-

Despite these limited resources, and the ever-more competitive market for inward investment, DCDI had its most essful year yet in 1994-95.

the city as in Bristol or Cardiff. employs over 1,000 people.

A recent arrival in the city is Kawasaki Precision Machinery.

Of crucial importance is whether the arrivals flourish. The evidence is that only a bandful have pulled out and many have expanded. Wrigley of the US has seen output at its Plymouth factory rise threefold in eight years and has increased the workforce to 650. Becton Dickinson, the American healthcare company, set up in the city in 1980 and has since expanded. Toshiba Consumer Products of Japan arrived in 1981 and now

Howmet Turbine, owned by Pechiney of France, has 800 people making airfoil castings In terms of jobs, engineering and electronics are the most Merchal House

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The primary industries:

important sectors, followed by healthcare, which is seen as a growth prospect. In 1993, VIDAmed, a Californian company making a prostate treatment device, invested £4.9m at Plymouth, attracted not only by a £750,000 grant but by the medical research facilities at Derriford Hospital and Plymouth University. Wales, Northern Ireland and Belgium had competed for the project.

Mr Ken Martin, DCDI's chief executive, says: "Without a shadow of a doubt, our strongest suit is our labour force its quality and flexibility. Absenteeism and days lost through industrial action are among the lowest in the country and productivity gains are seen to be good. There is an ability to adapt to changes in

Reinvestment, he says, is running at about 60 per cent of total investment. "The aftercare side is very important we take co-ordinating responsibility to ensure companies are visited but not overvisited. There are designated lead officers to stay with them and to he their first contact."

He adds: "The region has to make its offer as attractive as possible: we have to ensure we have enough sites and facilities in the right place, and not ruin the reasons why people want to come to the region. And we must ensure communications are upgraded as much as possi-

Many of the foreign-owned companies are significant exporters, proving that their location is not a handicap. Wandel & Goltermann, a division of WG of Germany which makes telecom test equipment, employs 220 people at Plymouth and exports 95 per cent of its output.

Mr Mike Bourton, the managing director, finds people are sometimes surprised that the company is based in Devon. But, he says: "We are technically innovative; we have a flexible multiskilled workforce; our business is growing. So really nobody should be surprised we're here, it's a good place to be."



jobs and safeguarding 552. Nearly £48m of direct investment was pledged, with grant aid offered of £5.6m.

The importance of inward investment is shown by the fact that most of the biggest manufacturing employers in the two counties are foreignowned. In all, there are about thirds are North American, five Japanese and virtually all the others from continental Europe. These employ 15,000 people, the vast majority in manufacturing, accounting for about 20 per cent of the sector's labour force.

Devon has attracted most of

the companies, especially in the Plymouth area. A study of inward investment, published by Plymouth Business School, comments on the lack of recognition that, since 1960, foreign companies have created as many manufacturing jobs in

12 months, production rose by 35 per cent and the Japanese company announced it would increase its staff to 270. The largest reinvestment, however, is not at Plymouth but in Torbay, where Nortel of Canada, which employs 1,500 people there, announced in April it would invest £48m,

which took over Staffa Motors'

facility at the beginning of 1994

as its first machinery manufac-

turing plant in Europe. Within

creating 916 jobs, for a radio access project. There had been competition for the investment from the US and Mexico, and an influential factor was that Torbay had gained assisted area status. Nortel's grant of £5m is the largest yet to have made in south-west England. Another large employer in Torbay is AVX Kyocera of Japan, which makes capacitors, but other investment is well spread. In north Devon, Caperboard, a division of

Glunz of Germany, is expanding at South Molton, where it is already the largest employer. A few miles away, at Barnstaple, Cox Pharmaceuticals, a subsidiary of Hoechst, has a purpose-built plant employing nearly 400 people.



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■ Transport: by Roland Adburgham

Blue ribbon is out of reach

ne two counties are now more accessible and connections are being upgraded

The blue ribbon that appears on UK road maps to designate a motorway causes some dark thoughts in Plymouth

It shows the M5 ending at Exeter and reinforces the belief of some outsiders that Plymouth is hard to reach. This galls those promoting the city as the A38 - marked green on the map - is a dual carriage-way the whole distance from Exeter and of near-motorway

A more achievable objective than changing green to blue is to lobby for the road to be desgnated A38(M). Similarly, the A30, which bisects the counties, is a dual carriageway most of the distance from Exeter to Camborne in Corn-wall. Meanwhile, the north Devon link road has cut journey times between the M5 and

Although further improve-ments are needed. Devon and

ble by road than in previous decades, and attention is turning to maintaining – and preferably upgrading - air, rail and sea connections.

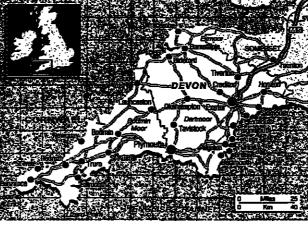
The two counties have the extravagance of three commercial airports, all with drawbacks. These are: Exeter, owned by Devon county council; Plymouth, owned by the city council; and Newquay in Cornwall, which uses RAF St

Mawgan. Exeter airport, close to the M5, has a long runway - 2,000 metres - and a new taxiway completed in September. It can handle a Boeing 767 with 280 passengers and charter operators include Thomson, First Choice and Airtours. But scheduled services are limited to the Channel Islands, Scilly

Isles and Ireland. Last year, the airport carried 196,000 passengers, up 5 per cent on the previous year. But it loses money, although its council subsidy was reduced by £50,000 in the last financial year to £485,000.

Brymon Airways, a subsidiary of British Airways, runs scheduled services from Plymouth and Newquay, of which the most vital are daily flights to London's Heathrow. At Plymouth, passenger traffic grew to 91,000 in 1994, an increase of 15 per cent, and there is a similar increase this year. But the airport, hemmed in by development, has a usable runway of only 1,030 metres and cannot operate jets. It is prone to difficult weather which causes diversions.

Newquay has a runway that can take anything that flies and a new terminal, built by the county and district councils. Although the service is confined to Heathrow, the a rise of 27 per cent. But its



These two airports have an additional worry: Brymon's elderly Dash 7 aircraft will soon need replacement. This raises fears BA might consider that an opportune time to make more profitable use of its

Mr Mike Jones, managing director of Brymon, is reassur-ing. "We've always said that if the route is profitable, then it is as safe as any route can be. It is not in danger at present. We're happy with passenger numbers, which are well above our expectations." He says 67 per cent of passengers connect to BA flights out of Heathrow, which provides the airline with high-value traffic.

BA's board will take a decision shortly on replacing the fleet with the Dash 8-300 which flies faster and has more seats. The indications are this will be

Rail links are another cause for anxiety. There is a fast twohour service from London to Exeter but then the train takes another hour to reach Plymouth. There are doubts about the future of the onward route to Penzance at a time of privatisation, and over the prospect for electrification. Nor is there a freight terminal for the

the option of a second Tamar road bridge. The existing bridge is owned by the city council and Cornwall council and its tolls - £1 for cars -

subsidise Torpoint ferry.
As might be expected, the two counties have a string of ports - notably the deepsea ports of Plymouth and Falmouth with, among others, Teignmouth in Devon and Fowey in Cornwall. Plymouth, the busiest port, is known for Brittany Ferries' services to Roscoff in France and Santander in Spain. These run from Millbay Docks, owned by Associated British Ports. This autumn, plans have

been put forward to seek more investment in Plymouth as a whole to increase roll-on, rolloff traffic and dry bulk cargo. It is argued that driving times from Manchester and Birmingham are less than they are to Dover and that enhanced sea routes would be complementary to the Channel tunnel.

Mr Barry Cullum, chairman of Atlantic Arc Task Force, which encourages trade between Europe's Atlantic regions, says: "Plymouth's location means that ship operations and road and rail hauliers using the port can save up to 12 hours by comparison with South Coast and Bristol Channel ports."

Plymouth - given its historic and natural attractions - is also seen to have more potential as a port of call for cruise



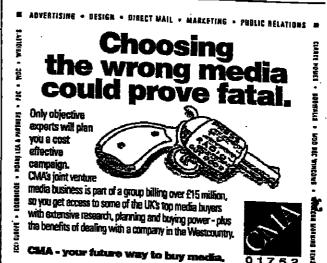
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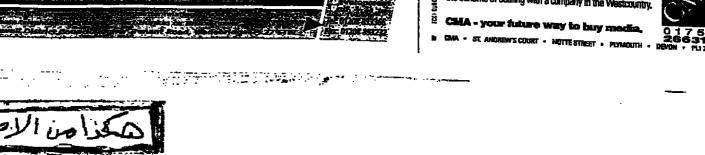


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Your guide to industrial Channel tunnel. One improvement has been the reopening of Ivybridge stanumber of passengers grew to 40,000 in the last financial year. property in tion to provide a commuter service to Plymouth. On the Cornish side of the city, a light Cornwall. catchment area is small in rail link has been mooted to terms of population. reduce car traffic, rather than ■ Over 60 industrial sites **■** Over 450 industrial and office premises **Send for your FREE** copy NOW! Teresa Timms Comwall County Council **Economic Development Office** County Hall, Truro, Cornwall TR1 3AY Tel: (01872) 322609 Fax: (01872) 77373







FINANCIAL TIMES MONDAY NOVEMBER 13 1995

The fight to halt decline

Tin mining and fishing have suffered, but china clay is growing in importance

Traditional industries have long formed the bedrock of the economy in Devon and Cornwall. The primary industries of mining, farming, fishing and construction continue to employ 13 per cent of the workforce, compared with 8 per cent in the rest of the country.

But the decline of these industries over many years has been a feature of the region's economy, and the two counties have struggled to adjust to the new economic climate.

Cornwall's crest depicts a tin miner and a fisherman, and the rundown of both industries has made a deep impression on the psyche of the county. The failure of the Cornish economy to replace jobs lost in the mines and on the trawlers has given the county long-term unemployment rates well above the national average.

Tin mining survives, but only just. Last year the South Crofty mine at Pool - in the beart of the old Cornish tin mining belt - seemed certain to close, ending a tradition which dated back to the days of the Phoenician expeditions to the county.

With tin prices depressed following the collapse of the international tin agreement South Crofty was destined to go the same way as hundreds of other mines which pockmark the county. An emotional response from the Cornish public to a stock market flotation and the intervention of Canadian and Indian mining interests - raised the £1.3m needed to keep it going.

The mine is now 95 per cent owned by Canada-based South Crofty Holdings, which also has potash interests in Thailand and a diamond mine in Botswana among its diverse portfolio. Mr Kevin Ross, managing director of South Crofty plc, says: "We have been here since 1592 and I think we will he going for a little longer vet."

South Crofty employs 338 workers and is investing heavily in opening up ore-rich scams 3,000 ft under Pool - the deepest in the county's history. The mine currently operates on a break-even figure of £4,500 ton compared with the mar-





ket price of around £3,900. Mr Ross says the investment in new seams will reduce the mine's break-even figure in the medium term, but South Crofty's quickest route to profitability would be through a revival in the tin price.

Less well-known than the tin industry, but far more important these days, is the china clay business. English China Clays, the main operator, employs 3,250 workers in its mld-Cornwall heartland. The landscape for miles around St Austell is marked by white the Cornish Alps.

Although the directly-emplayed workforce is down from the 6,000 level of 1970, the business is now stable and brings £100m into the Cornish econ-

clay production is used in paper production, where the product gives the glossy look to magazine pages.

ECC has a big land reclamation programme in hand to flatten the alps, and is also investing in new facilities to develop the industry. The company's chemical subsidiary. Calgon, is building a new manufacturing plant near St Austell to develop a production chemical used in the china clay process, while a new £8m dryer is being installed at the port of Par.

director of ECC International Europe, says: "Our latest performance has shown profits are up and margins have improved significantly. We will be embarking on a £40m-plus investment programme over the next two years as we introduce new processing technoleplace old plant."

RCC also has quarrying interests in Devon, which provides a number of aggregates and is an important national

source of ball clay. Fishing has been in decline for over 50 years. The mackerel shoals were fished to nearoblivion, partly by factory shins from eastern Europe. while virtually every other species has come under pressure.

The Common Fisheries Policy, which treats fish as a common European resource, has allowed the large Spanish fleet to operate in western waters. West Country fishermen complain that Spanish boats have helped to devastate stocks, partly through the landing of

undersized, young fish. Mr David Harris, MP for St Ives and chairman of the Tory backbench fisheries committee. believes the industry will continue to contract. "There is still a lot of rationalisation to go, but I think what will be left is an industry with a future," he says.

The arrival of up to 40 Spanish boats in the waters of so-called Irish Box on January 1 is a further threat to the declining West Country fishing fleet. Boats operating out of Brixham, Newlyn and Looe can be seen flying the maple leaf flag in sympathy with Canada's tough action against Spanish trawlers.

Despite the decline in the fishing industry, it remains a valuable employer. Although only 2,750 people work on boats in the two counties, up to five times as many work in onshore support and processing jobs. Fish exports - mainly to France and Spain - account for up to four-fifths of the catch at the biggest Cornish port, Newlyn.

Employment on the land has also been declining, with a 6 per cent drop in the agricultural workforce in the last decade. But after a several years of declining incomes, farm fortunes are starting to

The West Country farming industry is characterised by small family farms, specialising in dairy and livestock, with an important minority of pig and poultry farms. Large arable farms are few.

Cuts in EU milk quotas dur ing the 1980s delivered a sharp jolt to the dairy sector, and helped push many farmers into other areas of economic activity. Farm gate sales were stepped up, farm bolidays were promoted and golf courses ere created on former farm

The abolition of the Milk Marketing Board in 1994, and its replacement by the co-operative Milk Marque, has led to a gate price for liquid milk. Hill farm incomes have risen slightly - supported by a range of environmental subsidies

but pig prices have plummeted. In 1992 there were 18,100 holdings employing 41,130 workers, with three-quarters of the workforce being provided by farmers and their families.

Tourism: by George Parker

Signs of life in the hotels

After a record year, the emphasis is now on extending the summer

holiday season It has been a boom year for the tourist industry of Devon and Cornwall. Helped by the weak pound and exceptional summer sather, many of the region's hotels have unearthed their "no vacancy" signs after a

long, slow recovery from reces-

The West Country is Britain's most popular holiday region for UK residents; only London attracts more tourists overall. Tourism dominates the region's economy, generating around £1.5bn in revenue in 1993 and employing over 60,000 full-time equivalent jobs. Yet its dependence on tourism is also a problem. By its nature, the industry tends to offer seasonal, often low-paid, work. Much of its efforts have been devoted to extending the traditional summer season and bringing in affluent visitors on short-breaks or second (or third) holidays in the so-called

shoulder season' Few in the industry are looking on the dark side at the end of 1995, one of the best years on record. The West Country Tourist Board expects visitors to the south-west of England to top the 17m mark an increase of around 6 per cent on 1994 - with most going to Devon and Cornwall.

It was the year that many UK residents rediscovered the pleasures of an English seaside holiday. The weak pound pushed many families westwards, and the driest summer on record may encourage a large proportion to forsake the Costas again next year.

Distant childhood memories of long traffic jams, dirty beaches and poor accommoda tion are among the reasons why the West Country has fallen out of favour. But road communications improved radically since the days of the infamous bottlenecks around Exeter and Okehampton. The A30, once a virriageway most of the way to Penzance. InterCity trains travelling at up to 125mph take tourists to all the main resorts. The beaches, although still polluted by sewage at a few resorts, have been improved by an investment programme by South West Water, leaving While the elements are in Devon and Cornwall with the highest number of EU blue flag beaches in Britain, Hoteliers

and B&B owners have been encouraged to bring accommodation up to scratch and are rewarded by a "crown" rating system, while the tourist board holds seminars on how to improve customer service. The improvement in hotel

accommodation has been matched by the belated realisation that tourists need something to do when the sun is not shining. The provision of high quality indoor attractions, often aided by EU grants, has improved in recent years. The Tate Gallery in St Ives, a spectacular building which virtually spills out onto Porthmeor heach has proved a huge success since opening in June 1993 and has helped to extend the season in the Cornish holiday resort throughout the year. Since we opened we have had 475,000 visitors," says Mr Dick Perkins, the gallery co-ordinator. "People come to St Ives for the weekend to look at the gallery, but we also get a lot of

foreign visitors." Plymouth has recently pened the Dome - an exhibition celebrating the city's illustrious past - and the Pavilions, an indoor exhibition centre with swimming pools and ice rink. The high quality St Mellion golf course has been established nearby.

place for a revival of tourism in Devon and Cornwall, the industry believes it could do much better with more help from the government. The level of aid for the promotion of tourism is a long-standing gripe. The WCTB receives £500,000 from the English Tourist Board for its promotional activities, compared with £15.2m for Scotland and £14.2m for Wales. Put another way, the Scottish Tourist Board receives £3.99 in grant aid for each visitor it lures north of the border, the Welsh Tourist Board receives £6.19 while the English Tourist Board gets 26p. To make matters worse, Scots and Welsh tourist operators receive government grants for projects to improve facilities, but these were withdrawn in England in 1988. Mr Nigel ckler, marketing director of the WCTB, says: "I can't see the situation changing. There is no tourism or marketing justification for the discrepancy."

Another gripe in Devon and Cornwall is the promotional strategy of the British Tourist Authority - responsible for promoting Britain abroad which is criticised for over-emphasis on London. "We are always told there is a shortage of accommodation in London,

and people find it dirty and expensive, yet it is sold as a destination to overseas visitors," Mr Buckler says. The BTA explanation is that Lonvisitors, who may venture out of the capital only to Stratford or Oxford. The hope is that they will be more adventurous

on their second visit. Meanwhile, Devon and Corn wall's tourist operators and local authorities have pooled resources for a £250,000 marketing campaign aimed at spe cific market sectors. Northern Europe, where the fashion is for green tourism, is a target. Traditional family holidays are sold in Ireland. In the domestic market, Mr Buckler talks of

'market segmentation". "There is still a strong market in the middle of England and the south-east for family holidays, mainly among Cls and C2s. When it comes to extending the season we are targeting 'empty nesters' and young career couples hoping to take additional holidays in the spring and autumn.'

Only by extending the season can the tourist industry hope to provide job security for a core workforce, which might then have more of a vested interest in ensuring quality of customer service. Low wages in the industry are endemic and tourism operators will await minimum wage legislation from a possible Labour

Scilly image shatters peace

Some two thousand people live on the Isles of Scilly, the archipelago 40km south-west of Land's End. It might be assumed that they want nothing more than to be left in peace to enjoy the flowers, the birdlife and the mild climate. But their council has warned them: "The concept that the islands should not change is untenable in reality."

After consulting the strategy for "appropriate sustainable development". It

says: "The unique environment serves to hide many difficulties over infrastructure, affordable housing, social isolation, agricultural decline and

transport". The economy, the strategy document says, is fragile, with 85 per cent of it based on tourism. It suggests there should be a "clearly identified image" for the isles, and an emphasis on upgrading quality to increase income

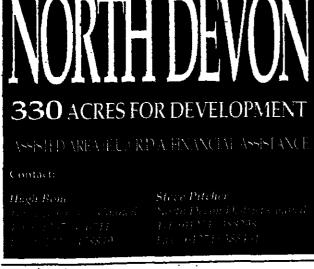
It proposes more tourism activities outside the peak

season and promotion of niche holiday markets such as gardening, photography. painting, ornithology, sailing and diving.

One suggestion is for an island "marque" with an "overall stamp of quality" covering accommodation facilities and services within and without the tourist industry. "This quality marque should also encompass all other products and services from the islands

Roland Adburgham

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■ Defence industries: by George Parker

Vhere peace means lost jobs

Attempts to diversify into civil markets have achieved only mixed success

The south-west of England is more dependent on defence industries than any other region of Britain.

The end of the cold war may have generated a "peace dividend" for the Treasury, but defence cuts brought grave problems to Devon and Cornwall and exacerbated the effects of recession. Defence spending was being cut by the government before the Berlin Wall came down, but the removal of the Soviet threat accelerated the rundown of the region's defence industries.

It is thought that as many as 40,000 people in the two counties earn their living from defence-related employment, with up to 600 companies involved in the supply of equipment in some way.

Even during the last years of Mrs Margaret Thatcher's government, decline set in. Between 1985 and 1991 at least 10.000 defence-related jobs were lost in Devon and Cornwall, while the scale of job losses since has been even more

When the management of Devonport Dockyard was privatised in 1987, the workforce numbered 11,400, but now there are only 3,600 full-time workers at the yard. Defence bases, often the mainstay of local economies, have been run down or closed, with the subsequent knock-on effect on local shops and suppliers. Naval stores at Exeter. Ivybridge and Plymouth are among the latest to have been affected by Defence Ministry cuts.

Defence companies have adapted to changing military circumstances and have sharp-

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However, there has been only mixed success in attempts to diversify into civil markets. The continuing importance of the defence sector to the two counties was illustrated by Devonport's victory in the so-called "battle of the dockyards", when it beat the Rosyth yard in Fife to win the stimated £3bn contract to refit Trident submarines over the next 20 years.

Despite the subsequent haggling between Devonport's managers, DML, and the MoD about the cost of developing the Trident facility, the navy's nuclear submarine fleet is certain to be serviced at the Plymouth dockyard well into the next century. Scores of local contractors depend on Devonport. DML relies on the ministry for at least 90 per cent of its work, and the decline in the navy's strength has hit the yard badly. The yard has diversified, but managers believe that civil work will never account for much more than 20 per cent of its turnover.

In recent years DML has built a flotilla of vachts for the British Steel challenge and has overhauled the diesel engines of the InterCity 125 fleet. It has also moved into the luxury yacht refit market, and is thought to have taken up to £20m to refit John Paul Getty's

Plymouth's dependence on the military sector is also in evidence on the Southway industrial estate on the fringes of Dartmoor, where British Aerospace Systems and Equipment (Base)employs 930 people At its peak Base employed around 1,300 people at the site, but has maintained a strong presence in the city by developing sophisticated avionics systems, some of which are

Mr Chris Tear of Base says:



A statue of William III looks over Devonport dockyard

"Traditionally we have been an aerospace supplier and it is not easy to drop everything that is defence-oriented and move on to civil applications. But we do have technologies which can be applied to commercial products." Systems designed for jet fighters are being adapted for use in anti-skid braking systems in cars, while black box flight data recorders are finding use in the civil aviation

The shining example of successful defence diversification is Northern Telecom in Paign-

ton, where the company is divest from the military sector engaged in a £45m investment which will increase its workforce to 2,500. Mr Bob Dow, managing director of the Radio Infrastructure division, said a conscious decision to move out of defence was taken in 1988. STC, acquired by Nortel in 1991, used to make equipment for the army's military radio systems and radar. Now the company's business is wholly in the civil sector, with customers including Cable & Wireless and British Telecom. "A

lot of people have tried to

and failed; we tried and suc-ceeded," Mr Dow says.

The problems arising from the decline of defence industries have been recognised by government and Europe. The redrawing of the assisted area map in 1993 has helped towns affected by the military rundown, and DTI grants were expansion in Palgnton. Money has also been forthcoming from Brussels. The Konver programme, designed to aid defence diversification, has put

Privatised in 1987, Devonport Dockyard has seen its workforce shrink from 11,400 to 3,600 in eight years

1997. The final package of

Brussels aid comes through the

European social fund and

regional development fund

under the so-called Objective 2

around £750,000 into Devon and Cornwall since 1993, mainly for retraining projects. The "routeways into work" scheme in Plymouth was particularly aimed at helping dockyard

workers adapt their skills. A second wave of Konver funding is pending, but Whitehall and Brussels are currently locked in negotiations on where it should be spent. Devon and Cornwall expect a sizeable chunk of the £74m allocated to the UK, which must be committed to programmes before the end of

programme, through which the Plymouth area is receiving £22.3m. The money has been spent on training projects, new workshops and the preparation of former military sites for civil use. Plymouth's urban develop-

ment corporation is also heavily involved in converting old navy sites on the city's waterfront to new uses. While

this practical help is welcomed by Devon and Cornwall's civic and industrial leaders, there is little enthusiasm for Labour's proposed defence diversification agency - except in the unlikely circumstances that it is backed with real financial muscle. Mr Mike Boxall, chief executive of the Westcountry Development Corporation, says: "What we are in favour of is defence diversification assistance. I think there should be investment incentives to help companies retool and

■ Plymouth Development Corporation: by Roland Adburgham

Life after the navy

How a yard on a spectacular waterfront is being regenerated

It is, by common consent, one of the finest groups of 19th century industrial buildings, sited on perhaps the most spectacular waterfront in

Called Royal William Yard. on a 19-acre site at the mouth of the river Tamar, the buildings provided victuals for the Royal Navy. Now, the yard is one of three waterfront sites – the others are Mount Batten and Mount Wise - vacated by the Ministry of Defence and which Plymouth Develop-

set up to regenerate. The corporation has an indicated budget of £40m from the government over its five-year lifespan, and European funding is also being sought. It got off to a slow start in April 1993, not least because of Treasury and Defence Ministry delays. Since

then, its priority in attracting investment has been to resolve the difficult road access - the sites were designed to be reached from Plans to improve the

approach to Royal William Yard, which is reached through twisting residential streets, have been the most contentious issue. The result of a public inquiry is expected early in the new year. Mr David Woodhall, acting chief executive, is confident the scheme will win approval. "The imposition of change doesn't sit comfortunities, but I believe

ably with established that since the inquiry some of the fears have abated." Another service from DEVON Mr Woodhall's appointment is itself a consequence of one

of the corporation's difficulties. He was brought in after Mr John Collinson, who had been chief executive, was suspended in July. Mr Collinson then resigned before being dismissed for allegedly using corporation funds for personal expenditure. (He has undertaken to repay the noney in question.)

"I was approached to bring stability and ensure the entum was not lost," says Mr Woodhall, a former chief executive of the Commission for New Towns. 'I think there is now a reasonable management struc-

The imposition of change doesn't sit comfortably with established communities, but some fears have abated'

ture." A new chief executive will shortly be recruited for the final two years.

Mr Woodhall acknowledges the corporation has not had an easy time. "Initially, there were some areas of concern not over the need for regener ation but because it was not seen as part of the totality of the [city's] plans for the

"In the past few months, that has changed; there are very good relations with council officers and a better climate. It is now much more seen as part of the overall strategy for the waterfront."

The target for the leverage of private investment has not been specified. Mr Woodhall accepts that the initial

picking up, not so much

because of the economy but

because at last there is a realis-

ation and an acceptance that this is the market now. People

have re-geared themselves to

meet this market."

■ Property development: by Roland Adburgham

ambition of creating 2.000 jobs is probably overoptimistic, but he is enthusiastic about the poter tial. "People say Plymouth is remote, but when they are here, they see the quality and character of the sites that no other development

corporation has got." At Royal William Yard, where the buildings are listed for their architectural merit. a leisure scheme is intended to be the anchor. Milleunium money is being sought as part of the Plymouth 2000 partnership's bid for funding to regenerate the city's entire waterfront. Negotiations for other projects have taken

place with London and Easter Properties and Tay Homes. 77-acre peninsula, a £2m road will be completed this year. Housing, marine and leisure use is planned and Mr Woodhall says there has been a

very competitive response". At Mount Wise, an 11-acre site, it is hoped to let the contract soon for an access route. A study centre for urban regeneration has been opened and there are plans for social housing.

"We have been sowing the seed during the recession and hope to reap a reasonable harvest," says Mr Woodhall. "We anticipate Mount Batten will be substantially occupied and deals in place by time we close (in 1998), and the same with Mount Wise. At Royal William, there will be initial occupation by then and deals for 75 per cent of occupancy.' Mr John Ingham, leader of

the city council and the corporation's deputy chairman, comments: "The acting chief executive has achieved so much - he has gone back to working in partnership and there is a much clearer understanding. Things are moving now."

■ Manufacturing: by Roland Adburgham

Companies in the south-west can still rely on sales outside the peninsula

If one envisaged a food manufacturing company daily distributing fresh products nationwide, one would hardly expect the enterprise to be

based in Cornwall. Ginsters is exactly that. From its bakeries at Launceston and Callington, its fleet of 140 temperature-controlled vans delivers 2.5m Cornish pasties, sausage rolls and similar products a week, even to Scot-

The company is in Cornwall for historical, rather than logistical, reasons. Founded by family in 1968 make pasties for tourists, it was taken over 10 years later by Samworth Brothers, a private company. In the past three years, Ginsters has invested £18m in its bakeries to target the hungry market of "on the move" customers at convenience stores and service

Today, Ginsters has 1,000 employees, a countrywide net-work of distribution depots, and a turnover of more than 250m. Mr Peter Castell, Ginster's marketing director, remarks: "The road network has improved significantly in the last decade and we have been able to push out our geographical boundaries."

At the same time, he extols the virtues of a Cornwall base. The nature and loyalty of our workforce is first-class and we've built up a good relation-ship with local suppliers."

Cornwall and Devon need more such companies, having lost 14,000 manufacturing jobs during the 1980s. The sector now accounts for only 15 per cent of jobs although, as Devon & Cornwall training and enter-prise council emphasises, it remains an important source

of wealth creation. The point is reinforced by Mr Alan Knight, partner in Exeter of Hoare Lea. the consulting engineers: "The priority has to be to have more nanufacturing, rather than more services. We have the land, skills and environment."

Ginster's experience shows that being in the south-west need not put off manufacturers that need to rely on sales outside the peninsula. This has been recognised by foreign-owned companies, which have established a notable presence in the counties, but relocations by UK companies in the region have been relatively few -Algram, a plastics mouldings business which moved from

in 1989, is one example. However, there are leading UK groups which have local h se Rritich space, with its systems and equipment division, and GEC Plessey Semiconductors, which in September last year announced a £100m expansion

to quadruple capacity.

Buckinghamshire to Plymouth

Their two factories are in Plymouth which, with its defence and engineering tradition, remains the industrial base of the region. Another large group with a significant presence is Siebe, the UK-based engineering group which worldwide employs 35,000. In Plymouth, it has the headquarters of Siebe Controls Europe and the world headquarters of Siebe Fhrid Systems.
In all, Siebe has five factories

in Devon and three in Cornwall, better known locally by the names of subsidiaries such as Ranco Controls and CompAir. The latter's plant at Camborne in Cornwall, making air compressors, caused one of the county's sharpest shocks 10 years ago, when 500 of the 800 workforce were made redundant only six weeks after Siebe took over the company. At the time, Siebe said the only alternative was to close the factory. Today, its workforce num-bers 400 and, overall, Siebe employs 2,400 people in the two

countles. Its operations in the

nearly half were exports. Mr John Carney, president of Siebe Controls Europe, appears satisfied. "The quality [of production] is second to none and there is a stable workforce." he says. He quotes a productivity increase of up to 40 per cent per employee over the last four years, helped by a £10m investment in automation.

There are other manufacture ers whose reputations extend outside the counties. For example, Dartington Crystal at Torrington, north Devon, was a £10m management buyout last year from BTR; St Ives, the magazine printer has opened a £23m factory near St Austell in Cornwall; and there is Marine Projects, the Plymouth maker of Princess yachts and motor cruisers. The hope in the two counties is that where they



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Recovery is still 'quite patchy' Prime office space office, says: "Slowly things are schemes near the Exeter

is fetching less than in the late 1980s, but there is renewed interest in out-of-town development

"I guess the market is alive, with pockets of activity which are doing quite well, but it is still struggling in the region as a whole," says Mr Richard May, partner in Exeter with Knight Frank & Rutley, the property consultancy. Mr Christopher Grimshaw,

director of Chesterton's Exeter

Mr Ralph Collison, a partner with Alder King, consultant surveyors, concurs: "There are some reasonable strategic inquiries but across the market it is quite patchy." Exeter itself suffered from an overhang of unlet property caused by a huge increase in space during the late 1980s

boom, when it was assumed the "trickle-down" effect of the M5 motorway would justify a flood of investment.

The clawback from recession means most prime office space has gone but Mr May comments that £10 a sq ft is as much as can be achieved, a similar level to Plymouth

same overhang. This compares with £14 for prime space in the One sign of an improved market is renewed interest in out-of-town retail and leisure development. A public inquiry opens this month into two

where there has not been the

bypass, one by Wilson Connolly and EBC Group and the other by the city council and

Distribution sites in the south-west are expected to come back into demand and Salmon Harvester Properties is building the speculative Exe distribution park next to junc-tion 29 on the M5. Delays in ungrading this junction dampened interest in the nearby Exeter business park, but the road improvements are expected to proceed shortly.

Another speculative development at Exeter - industrial units built by Midas Construction - is reported by King Sturge, the agent, as finding "a good level of interest".

Plymouth is an unusual market because of the release of military sites and the role of the government's development corporation. Peaston, the Edinburgh-based company, is redeveloping the former naval hospital and engineering college. The imminent transfer of Royal Marines from the city should release more land. The city's shopping centre

has been pedestrianised but

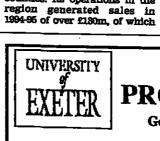
lacks covered malls, princi-

pally inhibited by planning dif-ficulties caused by its postwar grid layout. However, Mr Steve Lobb.

director of Chesterton's Plymouth office, is encouraged by signs that the city council, the freeholder, is taking a more flexible attitude. There are hopes that the Drake's Circus shopping centre, planned by P&O Properties, will get under way in the foreseeable future.

English Partnerships, the government regeneration agency launched last year, is active in both Devon and Cornwall, with offices in Plymouth and Truro. It sees its role as providing strategic sites and premises by forging partner-ships. It is involved in Plymouth waterfront projects and believes Cornwall too, helped by the improved A30 trunk road, is well positioned to become a prime location for manufacturing companies.

One factor encouraging development is the availability of grants in Cornwall, Torbay, Plymouth and parts of Devon. In north Devon, for example, 330 acres with rural development and assisted area status have been earmarked for devel-



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